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THE CHÁVEZ CHALLENGE: VENEZUELA, THE UNITED STATES AND THE GEO-POLITICS OF POST-COLD WAR INTER-AMERICAN RELATIONS

by

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13. ABSTRACT (maximum 200 words)

Hugo Chávez, who was elected to the presidency of Venezuela in 1999, has become exemplary of the wider phenomenon of post-Cold War populism (or neo-populism) in Latin America. He has successfully mobilized the poor in Venezuela and beyond, tapping into the resentment felt by the marginalized throughout the region after almost three decades of neo-liberal economic reform. This thesis explores how well he has done in promoting his brand of post-Cold War populism regionally and internationally. There is an important connection between his populism and his foreign policy. The thesis argues that while Chávez has been successful at garnering the support of the poor, his ultimate goal has increasingly become a desire to consolidate his own power. In classic populist fashion, Chávez has drawn many Venezuelans into a hierarchical patronage machine, which is dependent on his continued occupation of the presidency and on the use of the country's oil wealth in order to survive. Furthermore, Chávez has taken significant steps to ally Venezuela with various rivals of the United States. However, despite, his regionally- and internationally-oriented rhetoric about Bolivarian Socialism and 21st century socialism, his efforts at building alliances to counterbalance United States hegemony are best understood by adopting a realist conception of Venezuelan foreign policy. His foreign policy can be viewed as being driven less by ideology and more by a desire to strengthen Venezuela's position in the regional and international arena. Also, this thesis evaluates the ways in which the United States has dealt with the Chávez challenge and the effectiveness of such an approach. Ultimately, this thesis approaches Chávez as a symptom rather than a cause of broader political and socio-economic forces at work. It takes the position that U.S. policymakers should be concerned about the Chávez challenge, but not alarmed. Although he may have initially been considered a serious threat to the U.S. position in the region and beyond, his inability to create a robust coalition of nation-states to counter U.S. hegemony is evidence that his influence even in his own country may have peaked.

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TABLE OF CONTENTS

I. CONCEPTUAL FRAMEWORK....1
A. INTRODUCTION....1
B. IMPORTANCE....2
C. LITERATURE REVIEW....5
D. ARGUMENT....13

II. THE RISE OF HUGO CHÁVEZ: POPULISM AND THE NATIONAL AND REGIONAL SOCIO-ECONOMIC AND POLITICAL CONTEXT....15
A. REGIONAL SOCIO-ECONOMIC CONTEXT....17
1. From Colonial Rule to the Debt Crisis....17
2. The Role of the State (State-centric or Free Market Economics)....20
3. The Challenge to Neoliberalism and Its Results....22
4. Chávez: Revolutionary or Authoritarian?....24
B. THE POPULIST CHALLENGE TO DEMOCRACY IN VENEZUELA....28
C. CONCLUSION....33

III. EVALUATING THE IMPACT OF CHÁVEZ IN THE REGION....35
A. CHÁVEZ'S QUEST: INTEGRATION OR POWER?....37
B. EVALUATION OF REGIONAL IMPACT....39
1. Cuba....39
2. Nicaragua....42
3. Ecuador....44
4. Argentina....45
5. Perú....46
6. Brazil....47
C. CONCLUSION....49

IV. POLICY TOWARD VENEZUELA (TODAY AND AFTER CHÁVEZ)....53
A. RELATIONS BETWEEN THE U.S. AND VENEZUELA....53
B. THE FUTURE OF VENEZUELA (WHAT DOES POST-FUJIMORI PERÚ TEACH US?)....54
C. POLICY IMPLICATIONS & RECOMMENDATIONS....57

LIST OF REFERENCES....61

INITIAL DISTRIBUTION LIST....69

I. CONCEPTUAL FRAMEWORK

A. INTRODUCTION

Hugo Chávez, who was elected to the presidency of Venezuela in 1999, has become exemplary of the wider phenomenon of post-Cold War populism (or neo-populism) in Latin America. Since he stepped onto the political stage in Venezuela with his failed coup attempt in 1992, he has positioned himself as the champion of the poor and marginalized in his country. He has also astutely mobilized the resentment against social and economic inequality experienced by many Latin Americans across the region. When he first came to power, conditions were optimal for the rise of 'leftist' populist (or neo-populist) movements riding the wave of discontent that had grown in reaction to the turn towards neo-liberalism in the region in the 1980s. President Chávez has taken full advantage of this popular dissatisfaction and sense of marginalization within Venezuela and beyond. Some ten years after he first assumed the presidency it is more important than ever to ask how well he has done in promoting his brand of post-Cold War populism regionally and internationally?

To this end, this thesis will look at the following questions and issues: What are Chávez's objectives? In addition, more particularly what are they based on: power, ideology, or somewhere in between? It will be emphasized that his efforts at building various alliances to counterbalance United States hegemony, reflects a realist calculation at work in shaping Venezuelan foreign policy rather than deep-seated ideological forces. Despite his insistence that he is spearheading Bolivarian Socialism at home and abroad, Chávez's foreign policy appears to be grounded in power politics. At the same time, although the notion of a Bolivarian Revolution and Bolivarian Socialism are vague, and his approach to foreign policy is ultimately quite conventional, we need to ask whether there is a consistent ideology, even if it is shallow, which underpins his overall political project? Also, how successful has Chávez been in using his version of Bolivarian ideology to garner allies in his attempt to challenge U.S. hegemony in the region? If he has been successful, under what conditions is Chávez able to get other countries to act counter to United States interests? As we will, see, he has used Venezuela's oil wealth to

bolster his foreign policy, an approach to international relations which, in Venezuela's case, is not altogether new. Finally, we need to ask whether, or to what degree, Chávez is a threat to the U.S. 'national interest' in the region and beyond? This in turn leads to an examination of U.S. policy towards Chávez and to an evaluation of how effective U.S. policy has been and can be in dealing with the Chávez challenge?

B. IMPORTANCE

While most nations-states in Latin America pursue foreign policy agendas that avoid outright opposition to the United States, Venezuela under Chávez has adopted an anti-U.S. stance that is unprecedented in post-Cold War Latin America. As the United States continues to look for a new grand strategy to replace that of containment associated with the Cold War, U.S. policy makers must formulate an approach that will meet an array of new challenges, including that represented by Chávez. This means knowing what exactly Chávez's project is about and what its goals are in the region and beyond. It also means U.S. policymakers must understand the grievances of a large number of Latin American citizens, and their root causes, given that Chávez has been successful in gaining support in the region from people who remain poor and marginalized after over two decades of neo-liberal economic reform.

Chávez has taken significant steps to ally Venezuela with various adversaries and rivals of the United States. His attempts to court Russia by declaring that Venezuela is willing to host Russian armed forces may be reminiscent of an earlier era when Cuba's Fidel Castro was an important regional ally of the Soviet Union. The similarities between Chávez and Castro are striking. However, there are a number of major differences between Cold War Cuba and contemporary Venezuela. One in particular can be summarized in one word: oil. Venezuela's tremendous oil wealth gives Chávez a level of regional and global influence that Castro reached primarily through presiding over thoroughly revolutionary social, economic and political changes in Cuba, complemented by his personal charisma. In fact, during the Cold War, Cuba was dependent almost entirely on oil supplied by Moscow. Venezuela, by contrast, is a major provider of oil to its allies in the region. It has also used oil to gain leverage internationally.

Some critics of U.S. policy in Latin America argue that those who have influenced Washington's policies for the region have not changed much since the end the Cold War. They point to the continued impact on U.S. foreign policy on the part of former staffers of Jesse Helms, (sponsor of legislation that allowed companies doing business with Cuba to be targeted in U.S. courts) the designers of Nicaragua's contra war, and the anti-Castro lobby.[1] Certainly, relying on Cold War-style policies would be insufficient in dealing with the asymmetrical challenge posed by Venezuela. However, with the exception of Cuba, U.S. policy toward Latin America has changed considerably since the Cold War passed into history. To begin with, the U.S. ended its Cold War-driven fixation on Central America almost 20 years ago. The North American Free Trade Agreement (NAFTA), launched in 1994, as well as a number of other bi-lateral FTAs, the increased emphasis on the war on drugs soon after the collapse of the Soviet Union, and a greater focus on immigration is all examples of significant policy changes since the collapse of the Soviet Union.

In fact, the shift in policy goes deeper than these few examples. The end of the Cold War has reduced the ideological constraints that influenced U.S. policy in the region, giving policymakers greater flexibility.[2] Several post-Cold War developments have profoundly influenced U.S. policy in Latin America. First, Latin American countries are more democratic than during the Cold War. In the late 1970s, there were only three democratic countries in Latin America, excluding the Caribbean. By 1994, all except Cuba were classified as democratic or at least becoming so.[3] With the spread of democracy throughout the region, it was much more difficult to consider these countries "pawns" of the Cold War superpowers.[4] Consequently, Latin American countries have greater flexibility, particularly in terms of with which states they align themselves. Simply put, they can choose to adopt Washington's policies or embrace other global players, such as Europe or China. The U.S. no longer has the same leverage in the region

[1] Sweig, "Washington's Cold War Echoes," http://www.cfr.org/publication/11244/washingtons_cold_war_echoes.html.

[2] Crandall, *The United States and Latin America after the Cold War,* xi.

[3] Reid, *Forgotten Continent: The Battle for Latin America's Soul,* 5.

[4] Crandall, *The United States and Latin America after the Cold War,* xiii.

that it did during the Cold War. There are now other options for capital investment and Washington must compete with global rivals.[5] This leads to the second development influencing U.S. policy. Globalization has increased international pressure on the U.S. to modify its "big stick" approach in its dealings with Latin America. Finally, with communism long gone as a global threat to U.S. national security, Washington now must deal with a greater variety of conflicting domestic opinions with regard to priorities in Latin America. That is why it is critical the U.S. develop a grand strategy for Latin America and it must be shaped taking into account these developments.

U.S. policymakers argue that Latin America has taken a turn toward leftist or progressive governments and that Chávez is a key figure in this shift. This thesis will examine this proposition. It asks whether Chávez has been successful at swaying elections beyond his own borders by playing to anti-U.S. sentiment. He has certainly managed to rally large groups of sympathetic supporters wherever he speaks in Latin America.[6] Chávez has demonstrated a willingness to adjust the rules of the democratic political game through a new constitution, augmenting the Supreme Court with his loyalists, and a new legislative assembly stacked in his favor, among other things. Meanwhile, he has been elected and reelected with increasing margins.

Also of concern to U.S. policymakers, just as Venezuela has tried to become independent of international oil companies and control the production and sale of its petroleum, it has also attempted to influence the market to secure prices favorable to Venezuela. Despite, this effort, Venezuela is still a major supplier of oil to the U.S. and depends on the U.S. for refining Venezuelan oil. This contradiction has not, however, prevented Chávez from seeking to establish an autonomous leadership role for Venezuela as part of his wider opposition to globalization and neoliberal economic policies.[7] In particular, Chávez has used oil to find allies and build a union of Latin American states that might, in theory, constrain United States power in the region. He has made it clear

[5] Crandall, *The United States and Latin America after the Cold War,* xiii.

[6] McDonnell and Chen, "U.S. a Target at Summit in Argentina; Thousands of Protesters Want Bush Expelled. Venezuelan Leader Hugo Chávez Leads the Charge against a U.S. Free-Trade Plan for the Americas," A.1.

[7] Cardozo, *Venezuela: Petroleum, Democratization and International Affairs*, 150.

that he is interested in developing or strengthening ties with long time foes of the United States, such as Cuba, Russia, and Iran.[8] Other leaders in Latin America, perhaps too shrewd to overlook the oil deals, have jumped on Chávez's anti-American imperialism bandwagon. Some have even moved beyond embracing the Venezuelan leader's rhetoric to the signing of agreements with Iran supporting nuclear development.

This thesis approaches Chávez as a symptom rather than a cause. It takes the position that U.S. policymakers should be concerned with Chávez but not alarmed. He is not a fundamental threat to the U.S. At the same time, the grievances of Venezuelans, and many other Latin American citizens, are real. Chávez came to power because he understood those grievances and because he was able to mobilize the masses of poor and disenfranchised people of his country and beyond, even though he has consistently failed to adequately address those very grievances that first brought him to power a decade ago. This is particularly surprising, given the tremendous oil wealth of Venezuela and the spike in oil prices over the course of his presidency. Under these circumstances, it borders on the astonishing that he has not done a better job of addressing the problems that continue to afflict Venezuela's poor. His failure to alleviate poverty and improve social conditions leads to the obvious question: why? The answer, as this thesis argues, is to be found in the fact that Chávez has been primarily concerned with consolidating his power and securing his rule of the country. He has been far more successful in mobilizing people around the problems of poverty and inequality than he has at actually alleviating poverty and reducing inequality.

C. LITERATURE REVIEW

There has been a tremendous amount of research done on Chávez over the last 10 years. This section attempts to capture the literature that relates to Chávez's ability to challenge U.S. interest and how the U.S. has responded, and will center on some key issues. First, some scholars argue that the rise of Chávez is only an indication of deeper socio-economic conditions related in part to poor U.S. policy toward the region. Second, such U.S. policy is a result of the changes that occurred due to the end of the Cold War.

[8] Trinkunas, "What is Really New about Venezuela's Bolivarian Foreign Policy," 2.

Finally, some discussion of what scholars have written regarding populism, along with the socio-economic conditions and post-Cold War policy shift, helps to understand the Chávez challenge.

Adopting a highly critical perspective of the Bush administration, William Leogrande argues that due to the distraction of the Global War on Terror, President Bush "failed to respond to Latin America's growing demand for social justice."[9] President Clinton's neoliberal economic policies were never fully realized and the "economic model of open markets and free trade disappointed Latin Americans by failing to 'change the lives of real people for the better,' as Clinton promised."[10] With a poor showing for neoliberal economic policies, "people across Latin America were voting for governments of the left—a 'new left,' part populist and part socialist."[11] These new leaders, mostly populists, promised to improved living standards for the poor majority and were willing to use state power to correct market failures. The author argues that this is where Washington failed: by not responding to the region's demand for social and economic change, Bush failed to meet the challenge of defining a relationship with Latin America that went beyond free trade. The failure of United States policy in Latin America is precisely what Chávez is using to garner political support. As long as the United States and its policies are viewed as one-sided and imperialistic, Latin Americans will look to an alternative. Chávez is offering himself as that alternative.

Chávez, as already suggested, and to a certain degree confirmed by Leogrande, is not the cause, but the symptom of Latin America's current woes. Furthermore, although U.S. post-Cold War policy towards Latin America has not followed the path suggested by Leogrande, U.S. policymakers have adapted policy to the post-Cold War realities of Latin America. As Russell C. Crandall suggests, Post-Cold War developments have given the governments of Latin America greater freedom to choose their own policies. They were free to choose Washington endorsed economic liberalization policies, or reject them.[12]

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[9] Leogrande, "A Poverty of Imagination: George W. Bush's Policy in Latin America," 385.

[10] Ibid., 356.

[11] Ibid.

[12] Crandall, *The United States and Latin America after the Cold War*, xiii.

Some would dispute the idea that Latin American leaders had much choice in relation to neoliberal policies. It may have been simply much easier to go with the regional and global trend toward these policies than buck Washington. Nonetheless, some leaders in the region embraced neoliberalism enthusiastically. While in many instances leaders in Latin America were embracing neo-liberalism, the debt crisis and the structural adjustments that went with it cannot be ignored, nor can the fact that a number of Latin American leaders were critical of neo-liberalism prior to election and then were found adopting such policies once elected. Regardless, the fact that Chávez is able to even implement ALBA (*Alternativa Bolivariana para las Americas* or Bolivarian Alternative for the People of Our America), and establish ties with U.S. adversaries is a sign that the U.S. has turned away from "Big Stick" tactics employed by the U.S. during the Cold War.

Writing in 2001 from a clearly sympathetic point of view, the British journalist, Richard Gott sought to *provide the historical background for understanding Chávez and the Bolivarian* Revolution. Gott argues that Chávez is a unique late-twentieth and early twenty-first century political figure in Latin America. Significantly, *Chávez's* early inspirations were not Castro or even Marx.[13] As Gott emphasizes, the Latin American leaders that have influenced Chávez were Simón Bolívar, Simón Rodriguez, and General Ezequiel Zamora. Gott claims that Chávez knows "a revolution cannot succeed on borrowed money, and he knows that the armed forces cannot rule on their own. They need the support of the great mass of the people."[14] Chávez is uniquely gifted with the charisma needed to gain such mass support and the ideology he espouses suits him well in framing the issues in a way in which the people can identify. According to Gott, Chávez is "a serious revolutionary trying to carve out a new program for America." He continues, "Chávez believes he can bring about a multi-polar world with a different economic consensus offered by Washington and which has had such a devastating impact on the poorest populations of the Third World."[15] Some of Gott's analysis has proven to

[13] Reid, *Forgotten Continent: The Battle for Latin America's Soul*, 165.

[14] Gott, *In the Shadow of the Liberator*, 93.

[15] Ibid., 7.

be flawed with the passage of time. For example, he asserted that Chávez would continue capitalist policies and that the President would be unlikely to show hostility toward the U.S. In fact, he concluded his book by writing, "Free elections have sometimes turned up winners who are too far to the left to be easily countenanced by governments in Washington. Successive American governments have had innumerable arrows in their quiver for destroying regimes of which they disapprove."[16] Yet, Chávez's has engaged in a continuous stream of anti-U.S. vitriol. The fact is Washington has had the opportunity to destroy the Chávez regime, and while there were obvious diplomatic blunders by the Bush administration, particularly by not immediately denouncing the 2002 coup, there is no evidence Washington initiated or supported the coup.[17] In fact, we might be able to conclude that by and large Washington sees Chávez's Bolivarian revolution as relatively unimportant compared to other foreign policy issues, even other issues in the region.

Gott also states Chávez "is desperate for foreign investment" and would be cautious not to scare off investors.[18] His record contradicts this. Chávez's management of key sectors of Venezuela's economy, and perhaps the economy as a whole, fits in with his overall populist ideology. Certainly, the public ownership and state control of the economy can be read as an ideological commitment to state-led national development with socially redistributive characteristics. However, his inability to bring about such redistribution, along with his unrestrained and reckless management of the economy, particularly the oil industry, signifies perhaps that he has been playing straightforward power politics from the outset. Chávez has seized the oil industry of Venezuela and cashed it in the short term as it were, to win votes and gain support for referendums that consolidate his power in the country. In the process, he has nationalized oil fields in Venezuela leaving foreign oil companies with a bitter taste.

Chávez's outspoken criticism of the U.S. is in part an effort to divert attention away from his poor management of the Venezuelan oil industry. Having established his willingness to challenge U.S. global interests, how does Chávez justify such anti-U.S.

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[16] Gott, *In the Shadow of the Liberator*, 228.

[17] Crandall, *The United States and Latin America after the Cold War*, xiii.

[18] Gott, *In the Shadow of the Liberator*, 173.

sentiment? Chávez hardly delivers a speech or even says a word in public without invoking the name of the almighty *Libertador*, Simón Bolívar. As Nikolas Kozloff puts it, "In seeking to compare himself with Bolívar, [President] Chávez seem[s] to be pitching himself to the Venezuelan people as a revolutionary fighting against an imperialist power, in this case the United States."[19]

Bolívar is revered through Latin America, but particularly in the Andean region. What Washington, Jefferson, and Lincoln are to the United States, Bolívar is to these countries, all rolled in to one. Bolívar was influential in the liberation of six countries: Bolivia, Colombia, Ecuador, Panamá, Perú, and Venezuela. Bolívar is an integral part of the heritage of these nation-states; the cornerstone of their national histories. Chávez's use of Bolivar's image is designed to garner domestic support for his anti-imperial stance and his South American unity efforts.[20] There is a common perception in the Andean nations that Simón Bolívar was opposed to the United States because he viewed it as a threat.[21] Bolívar was a complex man and his life was full of contradictions. He was "a liberator who scorned liberalism, a soldier who disparaged militarism, a republican who admired monarchy."[22] He developed an appreciation for liberal ideas early in his life as he toured Europe and could be considered to have been a radical. However, after the years of fighting for the liberation of the Americas from Spain and trying to assemble a state, he hardened and became quite conservative, even suggesting that there was a need for lifetime rulers.

This has not prevented various political leaders over the years, and now Chávez, from comparing themselves to Bolívar in an attempt to tap into his legacy.[23] For example, the urban guerrilla group M-19 (19th of April Movement) brandished Bolívar's sword taken from a museum to inspire revolution.[24] Bolivarianism, which emerged as a

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[19] Kozloff, *Hugo Chávez: Oil, Politics, and the Challenge to the U.S.*, 3.

[20] "Time to Liberate the Liberator," 41.

[21] Ibid.

[22] Lynch, *Simón Bolívar: A Life*, xi.

[23] Irwin, "The Literature behind Venezuelan Bolivarianism," 1.

[24] Chasteen, *Born in Blood and Fire: A Concise History of Latin America*, 307.

concept based loosely on Bolívar's ideas, was used by General López-Contreras, president of Venezuela in the late 1930s, to combat leftist ideology. He essentially tailored and transformed Bolívar's ideals into an official doctrine.[25] Retired Venezuelan Admiral Gruber-Odreman, in his book *Soldado Alerta!,* used Bolivarian principles to "justify a Creole/Latin America military aimed at fighting threats…from the United States, the World Bank, and the combination of globalization and neoliberalism."[26] The reality is that Bolívar wrote and said so much, and so much more has been said about him and his ideas by historians and commentators that it is easy to cherry-pick his writings and produce principles that can suit the purposes of either end of the ideological spectrum.

The selective use of Bolívar's legacy for framing his political project is an important element in Chávez's brand of populism (or neo-populism). In fact, to understand Hugo Chávez's success the concept of populism must be explored. Michael Conniff defines populism in terms related to elections and enfranchisement. Specifically, he describes populism as, "an expansive style of election campaigning by colorful and engaging politicians who could draw masses of new voters into their movements and hold their loyalty."[27] They do so with assurances that the interests of the common man and woman will be foremost on their mind when in power. There is more to it than charisma. Populists are not so much about a particular ideology, and in fact, they change their rhetoric to appeal to the most voters at any given moment.[28] Therefore, populists rely on attracting those disillusioned or frustrated with traditional politicians and those opposed to the establishment.

Thomas Skidmore and Peter Smith argue there were essentially two forms of populist polities, which first appeared in Latin America in the 1930s. The first operated as what Paul Cammack calls "partial democracies…in which industrialists and workers gained some limited access to power through relatively open electoral competition." The

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[25] Irwin, "The Literature behind Venezuelan Bolivarianism," 82.

[26] Ibid., 82.

[27] Conniff, *Populism in Latin America,* 4.

[28] Ibid., 5.

second were "'populist regimes'… in which more authoritarian leaders put together multi-class alliances through corporatist organization and strictly controlled mobilization of political participation."[29] The Great Depression and the World War II brought about "redistribution of income through the incorporation of the popular masses-above all, the urban working classes-into the political system, a central role for the state in economic and social policy, and a constant evocation of the nation and its sovereignty."[30]

These populist regimes exhibited some common characteristics. First, they centered on a charismatic leader. Second, they were also developmentalist in nature. Third, none was particularly committed to the principles of liberal democracy. Finally, the opposition each faced was usually politically weak.[31] Although populism in this era was a successful political strategy, "it had weaknesses which limited its ability to provide economic development and stable government over the long term." Cammack continues, "Its proponents needed to maintain the confidence of business sectors (with many traditional elites alienated from the start) while preserving the loyalty of the working classes and keeping control of the political organizations (usually state-backed trade unions) created to mobilize them." He adds, "these conflicting political demands continually threatened to become unmanageable, particularly when their economic strategy began to run into difficulties."[32]

The period between the 1930s to the 1950s can be characterized as the era of classic populism, with charismatic figures such as Argentina's Peron or Mexico's Lazaro Cardenas rising to prominence. Chávez's style of populism, also known as neo-populism, differs somewhat from the classic form, with the main difference being the level of actual reform on the part of the neo-populist is much weaker than Peron or Cardenas, for example. Chávez has promised social and economic reforms that will benefit the masses of poor in Venezuela. Attempting to exhibit his compassion for the downtrodden, he stresses his own childhood experience with poverty to connect with followers.

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[29] Cammack, "Democracy and Dictatorship in Latin America, 1930-1980," 163.

[30] Castañeda, *Utopia Unarmed: The Latin American Left after the Cold War*, 46.

[31] Cammack, "Democracy and Dictatorship in Latin America, 1930-1980," 164.

[32] Ibid., 165.

Nationalism is an integral part of his appeal. In his attempt to appeal to the common citizen, he poses as a defender of Venezuelan sovereignty against exploitation by the United States. Furthermore, he has tapped into anti-U.S. sentiment throughout Latin America, which in turn has provided some impetus for the election of leftist political leaders in the region that will side with him and not the United States. Considering these elements of Chavismo, Chávez clearly fits Conniff's definition of a populist.

Meanwhile, there is also considerable debate about how significant a threat Chávez is to the U.S. and its interests in Latin America. For example, Max Manwaring expounds on the implications of the rise of Chávez for the United States, arguing that Chávez is attempting to gain the asymmetric advantage over the United States by promoting Latin American integration under "a 'Bolivarianismo' security scheme, social programs, and communications efforts" in what he terms a "whole war" against the United States. He continues, "Chávez understands that asymmetric warfare is the methodology of the weak against the strong."[33] Through these instruments, Chávez "seeks to shift the playing field away from conventional military confrontations and turn to nontraditional forms of assault on [the United States government's] stability and integrity."[34] Although Manwaring provides great insight into fourth generation warfare and the potential challenge it will have on the United States, he overstates his case with Chávez, giving him too much credit for the move towards the left and the rise of anti-U.S. sentiment in the region and beyond. Manwaring's alarming analysis of the threat Chávez poses was written when the latter's star was in the ascendant.

A more measured assessment of Chávez's geopolitical significance is provided by Harold Trinkunas. He points out that Chávez's Bolivarian foreign policy is less about strategic independence and maximizing oil revenue and more about finding allies willing to challenge U.S. power and influence in the region.[35] And thus far, none of those allies

[33] Manwaring, "The Real Hugo Chávez and Asymmetric Warfare," 46.

[34] Manwaring, *Venezuela's Hugo Chávez, Bolivarian Socialism, and Asymmetric Warfare*, 1.

[35] Trinkunas, "What is Really New about Venezuela's Bolivarian Foreign Policy," 2.

have been geopolitically significant. Trinkunas puts Venezuela and its Bolivarian foreign policy in perspective, not giving Chávez too much credit for the overall leftist trend in elections and politics in Latin America over the last decade.

Most scholars, after a decade of observation, agree that Chávez poses no immediate threat to the U.S. However, U.S. policymakers must take into account the conditions that gave rise to the populist president and to other leaders like him. Washington must continue to signal its interest in improving social and economic conditions in the region while respecting democratic rule. If it fails to do so, it will continue to encounter similar challenges such as the one Chávez poses. In post-Cold War Latin America, the U.S. has the flexibility, but also the necessity, to articulate a grand strategy for the region that treats Chávez as a symptom of a wider trend that needs addressing.

D. ARGUMENT

Taking a realist perspective, this thesis will argue that Chávez is an opportunistic populist riding the national and regional wave of hostility to the neo-liberal economic reforms of the past three decades. Despite the Bolivarian rhetoric emphasizing social programs for the poor and Latin American solidarity, he is engaged primarily in a quest for power. Even if he started with a serious commitment to social reform he now conjures with a shallow ideology of Bolivarian socialism that promises far more than it can ever deliver. Furthermore, his anti-U.S. stance is defensive. When considering the actual instruments of power (diplomatic, information, military, and economic) at his disposal it is difficult to view Chávez as a serious threat to the United States. Whatever diplomatic power he has, it peaked at some point before the King of Spain publicly told him to 'shut up' in November 2007. Furthermore, although he has spent large amounts of money on a military buildup, he has a very long way to go before he could pose a threat to the United States militarily.

E. OVERVIEW

Chapter II will look at the factors that gave rise to Chávez. More specifically, Chapter II will cover the economic and social conditions present that allowed for the

"populist challenge" to emerge in the post-Cold War era. It is aimed at establishing the wider socio-economic context, such as the debt crisis, state-centric economic policies, and economic liberalization. Its primary theme is that Chávez and other populist political figures have successfully tapped into the widespread public resentment at social and economic inequality in Latin America. Chapter III will evaluate the impact Chávez has had on democratic governance in Venezuela. It will then turn to studying the impact his foreign policy has had in Latin America. Six countries, Cuba, Nicaragua, Ecuador, Argentina, Perú, and Brazil will be covered. Finally, Chapter IV will discuss current U.S. policy toward Venezuela and the implications of those policies. The restoration of democracy after Fujimori in Perú will be used to evaluate possible scenarios in a post-Chávez Venezuela. The chapter will conclude with some recommendations for U.S. policymakers.

II. THE RISE OF HUGO CHÁVEZ: POPULISM AND THE NATIONAL AND REGIONAL SOCIO-ECONOMIC AND POLITICAL CONTEXT

Since gaining the Venezuelan presidency in 1999, Hugo Chávez has consolidated a broad, but fragile position as the key figure in what is often referred to as a new "populist challenge" in the region.[36] In an effort to gauge the significance of the "populist challenge" generally, this chapter looks at the rise of Hugo Chávez in some detail to clarify where Chávez came from and his role in the wider rise of neo-populism in the region. This chapter argues that Hugo Chávez has successfully tapped into public resentment of social and economic inequality throughout Latin America, and particularly in Venezuela. Through populist rhetoric and social spending he has generated public support primarily from the poor and disenfranchised. The frustration with inequality has bred an antiestablishment sentiment among this group and Chávez has skillfully addressed this demand for recognition and/or redistribution. The ruling elite who he points out have fleeced Venezuela of its oil wealth have been particularly damaged by Chávez's attacks. Chávez also verbally attacks the United States on a regular basis in great part due to the link between the dominant/hegemonic U.S. position in the region and the spread of neoliberal economic policies that have been blamed for widening income gaps and holding back the poor people and countries of Latin America. Having successfully tapped into this antiestablishment attitude in his country, Chávez has been successful at consolidating power. Chávez has justified his efforts to concentrate power by claiming Venezuela was suffering from social and economic crises, although since taking power his progress on addressing them has been quite limited.[37] He has used state resources to reward his supporters and withheld those resources to punish his opponents.[38] Ultimately, through what some scholars call a "quasi-tyranny of the

[36] Reid, *Forgotten Continent: The Battle for Latin America's Soul*, 159.

[37] Corrales and Penfold, "Venezuela: Crowding Out the Opposition," 100.

[38] Ibid., 99.

majority," Chávez "has emerged as an example of how leaders can exploit both state resources and the public's widespread desire for change to crowd out the opposition, and, by extension, democracy."[39]

This chapter will examine the economic and social context from which to understand better the conditions that gave rise to Hugo Chávez in Venezuela. I will first look at the period between colonization through the debt crisis to analyze the conditions that contributed to the widespread frustration with social and economic inequality. I will then discuss the different ways in which states have responded to these economic problems. Those countries that chose the free market approach still experienced significant problems associated with distribution and inequality. This and the backlash against neoliberal economics will be covered next. I will conclude with an analysis of how Hugo Chávez used this public frustration to pursue his agenda of consolidating power. As a realist, Chávez believes he can accumulate a majority by appealing to the masses of disenfranchised voters. Using democratic means, he has used that majority to maintain political power.

The lessons that can be learned from the "populist challenge", of which Chávez is a key figure, are important for United States policymakers. This is not necessarily because Chávez poses a significant threat to the United States or its interests in the region. To the contrary, many scholars and policymakers consider the threat from Chávez's effort to counter United States interests to be on the decline. Although Chávez has shown he is willing "to project power or intimidate"[40] well beyond Venezuela's borders and he has increased military spending, the purchase of nearly obsolete weapons without the technical support to maintain them hardly presents a military threat to the United States. Of somewhat more concern than his diplomatic and military power is his use of economic instruments in the regional and international arena. This chapter also focuses on this potential concern.

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[39] Corrales and Penfold, "Venezuela: Crowding Out the Opposition," 100.

[40] Oppenheimer, "By Any Name, South American Arms Race is Senseless," 2.

A. REGIONAL SOCIO-ECONOMIC CONTEXT

1. From Colonial Rule to the Debt Crisis

To evaluate the socio-economic conditions that gave rise to Hugo Chávez and other populists in Latin America, the historical legacies of the region must be understood. Considering the vast area and diverse histories of Latin America, only a general sketch can be offered in such limited space. Nonetheless, there are some common themes in the economic history of the region. Some argue that the control of capital and political power by a small-landed elite dating back to the Spanish and Portuguese conquest and colonization of the Americas has resulted in weak internal market and severe income inequality. The concentration of land ownership by elites did lead to a boom in agricultural exportation during the latter part of the 19th century and the early 20th century. Development policy was "driven by the export sector, ignoring domestic production" while export demand "was determined abroad."[41] This posed significant problems in sustaining development since many Latin American countries relied on a few or a single export. Latin America's landed elites failed to reinvest profits from exports which were critical to the development in other sectors of the economy.[42]

Dependency theorist argued that rather than looking at any particular country's resources, "progress could be attributed to the power [the country] had to set the rules of the international economic game."[43] Peripheral countries, which included much of Latin America, were at the mercy of industrialized countries of the world. Proponents of this theory contended that industrialized countries through the process of expansion were to blame for the underdevelopment of other countries.[44] During the "march of capitalism," industrialized countries exploited the weak countries for their cheap labor and abundant natural resources. Elites within these peripheral countries were part of the equation in that they made the deals with the international capitalists, profiting from their country's resources with little or no thought of promoting domestic development. Eduardo

[41] Franko, *The Puzzle of Latin American Economic Development*, 48.

[42] Ibid.

[43] Ibid., 53.

[44] Frank, *Capitalism and Underdevelopment in Latin America*.

Galleano popularized this theory when he wrote *Open Veins of Latin America*, which was read widely in Spanish across Latin America when it was published in 1971. Whether there is merit to dependency theory or not is largely irrelevant for the purposes of this thesis. Mention of it here is important for understanding how this theory pits not only the developing against industrialized countries, but it also succinctly describes a traditional anti-elitist sentiment common throughout Latin America: one of the conditions that facilitated the rise of the populists generally, and Hugo Chávez, more specifically.

During the 1930s and between the 1960s and 1980s, due to the international drop in demand for primary products other than oil, developing countries began to focus on adding value to products. It was thought that technology would do this and thus increase prices beyond that which could be earned for mere raw materials. Furthermore, structuralists maintained that the economy must be controlled by oligopolies who should determined prices and consumption patterns.[45] In the case of Venezuela, Chávez and many others in the country saw the nation's oil wealth being used to enrich the few controlling the oil industry. Also, a source of resentment highlighted by Chávez and his supporters was perception that elected officials were facilitating such exploitation.

Recognizing the destabilizing affect of the international economy, Latin American policymakers walled their economies in with extremely protectionist policies in an effort to develop their industries. It was believed that state-driven economics could overcome market failures. This effort to break from dependency on the global economy by focusing on domestic production (starting in the 1930s) is commonly referred to as import substitution industrialization, or ISI. While there was some growth of domestic industry initially, there were significant problems resulting from ISI. By turning away from agriculture, many of Latin America's poorest lost their primary source of income at the same time inflation increased dramatically. ISI also served to worsen inequality by empowering the elite class. It should be noted, ISI did not always help the landed elite. It did, however, strengthen or even create an elite group who operated industries behind tariff barriers. Furthermore, there are many examples of Latin American elites, especially

[45] Franko, *The Puzzle of Latin American Economic Development*, 55.

in some of the larger polities who began as landowners but took advantage of the protectionist environment and diversified into industry. An anti-elitist, or more generally, an antiestablishment sentiment grew out of this condition.

The ISI model depended on a constant infusion of capital to fund long-term projects. The flow of capital was cut off when interest rates increased and the market for Latin American exports fell. Consequently, the economies of Latin America collapsed under the weight of overwhelming loans that could not be paid. By the 1980s, also known as the 'lost decade,' Latin America was in a debt crisis. Due to the inability to repay, most foreign banks stopped lending to Latin America. Giving up on ISI, most Latin American countries realized economic policy again had to transform and the IMF stepped in. In an effort to reduce absorption, the IMF prescribed austerity measures.[46]

IMF plans drew criticism for prematurely contracting the economy without sufficiently addressing structural issues.[47] Eventually, foreign capital returned to Latin America as trust increased. However, the resentment toward the international organizations that was seen as causing and later inadequately resolving the crisis lingers. Furthermore, the movement to the left in Venezuela in the 1990s came from the inability of several administrations to adapt to the debt crisis.[48] With this came the breakdown of Venezuela's traditional parties and thus leaving a political void to be filled by populists supported by popular movements disillusioned with the political establishment.[49]

As a political outsider, Chávez promised to crack down on both public officials and private business actors that exploited the nation's oil wealth. Many Venezuelans welcomed such antiestablishment fervor and believed the former coup leader was both serious and capable. It is a common misconception in among Venezuela's lower class that if the nation's natural resource wealth is not reaching them, then it is because someone is stealing it. Chávez was seen at the leader who could sweep out the crooks and redistribute the wealth. From the onset of his presidency, Chávez has sought to

[46] Franko, *The Puzzle of Latin American Economic Development*, 109.

[47] Ibid.

[48] Kaufman, "Political Economy and the 'New Left,'" 4.

[49] Ibid.

nationalize oil production, and he eventually extended nationalization to other industries. Although he demanded greater government control over such industries, his seemingly ad hoc model differs from full-blown ISI in that rather than attempt to industrialize, he has sought to implement social programs.

2. The Role of the State (State-centric or Free Market Economics)

Starting in the 1970s and through the 1980s, the emphasis after the debt crisis was on determining exactly to what extent the state should manage the economy. Determining the function of the government has "included elements of fiscal austerity, tax reform, and privatization to reduce the drag of deficits and the restructuring of the ownership role of the state."[50] Economists began to think a minimal role for the state was most efficient and would reduce deficits and relieve the state from determining production.[51]

Neoliberals maintain that it was the downsizing of the state and liberalizing the economy that led to economic growth in the region. Indeed, the economic liberalization model has driven reform in Latin America. The Latin American debt crisis spurred economists to look to global markets to bring growth. With a newly defined role for the state that reduces its management of the economy international trade has been able to stimulate growth. However, the concern that the industrialized nations would out-compete the developing countries was still a major concern. This has motivated the less industrialized nations to look toward regional integration to overcome their vulnerabilities and take advantage of opportunities, such as economies of scale. Still, from a dependency theory standpoint, critics such as Chávez, argue that free trade offers few gains for developing countries. While reduced tariffs increase the flow of trade, primary products still make up most of the export sector.[52]

Chávez's predecessor, President Rafael Caldera, was elected in 1994 to a second term in office on a platform of anti-neoliberalism, and in fact, was one of the first to show opposition to the IMF with regard to the Washington Consensus. However, just two years

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[50] Franko, *The Puzzle of Latin American Economic Development*, 175.

[51] Ibid.

[52] Ibid., 258.

later Caldera instituted an economic austerity package that signaled his conversion to neo-liberalism. The package initially included measures such as removing price restrictions (particularly on gasoline), removing controls on interest and exchanges rates, and even proposed an increase in luxury taxes. At the same time, Caldera pushed through social programs, such as giving a "family bonus" to Venezuela's poorest families and fuel subsidies for public transit (to perhaps avoid riots that had occurred after previous increases in public transportation). Neo-liberals of the day contended that the austerity package was still insufficient since the state still owned most industries.[53] Yet, Venezuela still had a large marginalized constituency that did not see the need for such austerity policies. Dissatisfaction with the lack of progress for the country's poorest segments made an easily adopted platform for populists.

The market reforms of the 1990s "have not met the high expectation of social progress hoped for."[54] Although there was some decline in poverty in many countries, it is reported that about one third of the population still lives in poverty and almost half of those in extreme poverty. Furthermore, due to domestic economic policies that favor the wealthy with little concern for improving education and other social service, Latin America suffers from dramatically unequal income distribution.[55] Even though there have been high rates of growth since the early 2000s, "persistent inequality… appears to have deepened frustrations."[56] Interestingly, Caldera's insufficient neo-liberal reform measures, combined with his role in breaking the *Punto Fijo* pact when he ran for election on the National Convergence ticket, created an environment ripe for the growth of populist politics. Granting amnesty to the 1992 coup participants certainly can be considered a necessary event in the rise of Chávez as well.

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[53] Ellner, "Venezuela Turns toward Neoliberalism," 2.

[54] Kaufman, "Political Economy and the 'New Left,'" 3.

[55] Franko, *The Puzzle of Latin American Economic Development*, 377.

[56] Kaufman, "Political Economy and the 'New Left,'" 3.

3. The Challenge to Neoliberalism and Its Results

The broad effects of the debt crisis were met with attempts by mainly the IMF and World Bank to implement free market reforms. Known as the Washington Consensus, or neoliberalism, many countries in the region applied a set of specific policies aimed at liberalizing their economies and opening trade. However, the poorest segments of the population were looking for quick fixes to their social plight and without immediate results, many became discouraged. Even though inflation was brought under control and growth occurred initially, several countries effectively saw their economies slide backwards.

The lack of significant development in human capital, along with serious healthcare deficits in Latin America, has continued even after the implementation of neoliberal economic policies. This has caused serious doubt on the viability of such policies. As Reid states, "the disappointing record meant that the free-market reforms fell into widespread, albeit often unjust, disrepute."[57] It is not clear whether frustrations "over inequality [carried] over into wholesale backlash against market reforms."[58] Nonetheless, Chávez rose to power by doing exactly that; protesting over the real and imagined failures of neoliberalism. He offered better education and access to health services to Venezuela's poor. He is also quick to blame the United States for advocating such policies.

Some critics of United States economic policies in the region (as discussed earlier) argue that due to the distraction of the Global War on Terror, the United States "failed to respond to Latin America's growing demand for social justice."[59] President Clinton's neoliberal economic policies were never realized and the "economic model of open markets and free trade disappointed Latin Americans by failing to 'change the lives of real people for the better,' as Clinton promised."[60] Purportedly, failed neoliberal economics polices have led "people across Latin America…[to vote] for governments of

[57] Reid, *Forgotten Continent: The Battle for Latin America's Soul*, 7.

[58] Ibid., 3.

[59] Leogrande, "A Poverty of Imagination: George W. Bush's Policy in Latin America."

[60] Ibid., 356.

the left—a 'new left,' part populist and part socialist."[61] These new leaders promised improved living standards for the poor majority and were willing to use state power to correct market failures. Washington is faulted by the left in Latin American, particularly Chávez, among a few others, for not responding to the region's demand for social and economic change. Especially venomous in his attacks on President Bush, he contends Washington failed to meet the challenge of defining a relationship with Latin America that went beyond free trade.

With a more concrete post-Cold War policy that goes beyond the traditional levers of influence,[62] Washington may have been able to respond to the concerns of many Latin Americas. Speaking specifically of economic levels, William Leogrande argues that polices such as tightening the embargo on Cuba, discontinuing remittances to El Salvador and Nicaragua, and reduced aid to Nicaragua and Bolivia, are insufficient in dealing with the challenges of Latin America. He continues by dismissing the notion that political levers are used primarily for the promotion of democracy. Furthermore, he indicates the resistance to United States policy in Latin America is founded on resentment over the reduction in U.S. aid. In essence, he argues that Washington's reputation and relations in Latin America have deteriorated because it has failed to keep aid on track with inflation and ensure that aid improved the social conditions of the poor and that Chávez is at "the lead edge of a new political wave of leftist politics in Latin America" that represents "the symptom of deep-seated problems in the region, not the cause."[63]

Leogrande's argument is flawed in that it begins with the premise that Latin America is entitled to economic aid from the United States. The economic policies pushed by Washington to encourage liberalization and free trade are in part intended to spur economic growth. It is aid by itself that perpetuates economic problems in Latin America by treating the symptoms rather than the causes of poverty and inequality. Regardless, Chávez could be considered the forerunner for the move toward the left.

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[61] Leogrande, "A Poverty of Imagination: George W. Bush's Policy in Latin America," 356.

[62] Ibid.

[63] Ibid., 376.

Neoliberal economic reforms were linked to the onset of globalization. The sudden implementation of these reforms, particularly the lifting of restrictions on the movement of capital and a lack of supervision over the banking industry, reduced the likelihood of their success. Often these policies were incomplete or abandoned prematurely. However, the social and economic problems that were present before these reforms were attempted were now widely blamed on the Washington Consensus. As Moises Naím, former trade minister in Venezuela, commented, the Washington Consensus was a 'damaged brand.' Even though the term 'neoliberalism' is used disparagingly, its tenets (open market economics and stability) have continued to gain traction in much of Latin America.[64]

4. Chávez: Revolutionary or Authoritarian?

Chávez is credited with breaking the two-party system in Venezuela when he was elected president in 1999 (although Caldera played a role in the demise of *Punto Fijo* as mentioned earlier). Chávez created the MBR-200 (*Movimiento Bolivariano Revolucionario 200* or Bolivarian Revolution Movement) party in 1982 by pulling together military officers dissatisfied with political corruption in Venezuela. The party became emboldened following the 1989 riots known as *Caracazo* when hundreds of protestors were killed in Caracas. Following the 1992 coup attempt and subsequent pardoning by Caldera, Chávez changed the name of the party to MVR (*Movimiento V [Quinta] República* or Fifth Republic Movement), although there appeared to be little ideological evolution. In fact, there was a lack of any clear ideology of MVR and the party was built around Chávez. As one analyst describes, "it was to be a populist party with socialist, humanist and nationalist roots, and a sprinkling of the ideals that Simón Bolívar had formulated during the wars of independence."[65] The party essentially was his vehicle for pursuing power through popular political participation. His base was the country's poor.[66]

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[64] Reid, *Forgotten Continent: The Battle for Latin America's Soul*, 10.

[65] Sánchez, "Venezuela's New Constitutional Reform 2009: If Not Chávez, then Whom? PSUV May Not Survive if Chávez Loses the Presidency."

[66] Ibid.

Chávez's opposition made a tremendous mistake by boycotting the elections in 2005, which allowed MVR to sweep almost all the municipal and provincial elections. In December of 2006 the MVR was replaced by the PSUV (*Partido Socialista Unido de Venezuela* or United Socialist Party of Venezuela), a single Bolivarian party. With such a weak opposition to the PSUV, it has become a party in which those that are loyal to Chávez can receive special remuneration. It has also become an ad hoc union of small parties with varying ideologies.[67]

Since 1998, "voters have elected Hugo Chávez to the Venezuelan presidency three times with increasing margins each time."[68] This certainly demonstrates the poor believe he is acting in their interests. Some argue that the Chávez supporters are "mis-characterized by the media, the opposition, and some academic analysts as the poor and popular masses" and that "they are a mostly peaceful and autonomous counter-hegemonic social movement that is allied with the state."[69] Therefore, to avoid trivializing the real problem of poverty and inequality throughout Latin America, it is important to recognize that Chávez supporters "are not solely dedicated to ensuring that Chávez remains in office but also carry out important social work."[70] They are politically sophisticated and have goals "that go beyond protecting the Chávez presidency."[71]

Fernando Coronil attempts to captures this when he discusses the cultural and political effects of Venezuela's oil wealth. He asserts Venezuela is one of many countries that has been essential to the development of the modern world but has been marginalized in the process. Venezuela is "endowed with the power to replace reality with fabulous fictions propped up by oil wealth."[72] Dictatorial President Pérez Jiménez and democratic President Carlos Andrés Pérez both promoted the myth of progress during periods of extraordinary oil wealth and political stability. The Venezuelan state holds a monopoly

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[67] Sánchez, "Venezuela's New Constitutional Reform 2009: If Not Chávez, then Whom? PSUV May Not Survive if Chávez Loses the Presidency."

[68] Ramírez, "Venezuela's Bolivarian Revolution: Who are the Chavistas?" 79.

[69] Ibid.

[70] Ibid.

[71] Ibid.

[72] Coronil, *The Magical State*, 2.

on the nation's natural wealth and "by manufacturing dazzling development projects that engender collective fantasies of progress, it casts its spell over audience and performers alike."[73] To exacerbate the problem, the paradox of plenty, or the commodity boom that led to massive overspending, resulted in state fiscal crisis, political instability, and created a false image of development. Not only have oil-rich countries tended to suffer from oil booms, but they have failed to make petroleum the platform for sustained economic development.[74] There is a strong strand in Venezuelan nationalism, which insists the nation's oil wealth is the birthright of all Venezuelans. The state, or "magical state" as Coronil calls it, will deliver it to the people.[75]

Hugo Chávez was elected and reelected to the presidency based on promises of social programs aimed primarily at improving life for the country's poor funded by oil revenues. He operates under the premise that oil prices will continue at current prices or increase and with the windfall he can continue to fabricate the appearance of development in a way that benefits the nation's poor. It is conceivable that Venezuela could have made a break from the 'paradox of plenty' pattern described by Karl and created a diversified economy. Unfortunately, he has failed to use oil revenue to spawn a non-oil economy. Chávez's social programs, or missions, aimed at education, healthcare, environmental protection, and indigenous rights, are being financed by oil revenues. Furthermore, he is bartering oil off with other Latin American countries to boost his regional clout.[76]

Meanwhile, he fails to reinvest oil profits into further production. To magnify the problem, Chávez fired approximately half of the oil company's technical workers. If oil prices decline, Chávez will not be able to sustain his social programs. Since he has robbed the nationalized oil firm of the money needed to reinvest, the company will not be able to increase production to account for the lower prices.[77] This road will result in

[73] Coronil, *The Magical State*, 5.

[74] Karl, *The Paradox of Plenty: Oil Booms and Petro-States*, 5.

[75] Coronil, *The Magical State*, 2.

[76] Looney, "Chavistanomics," 5.

[77] Ibid., 11.

complete collapse of the Venezuelan economy, leaving Chávez sitting as a dictator since he has manipulated the political system to leave him nearly in complete control.

Venezuela is the fourth largest supplier of oil to the United States, a fact that has allowed Chávez to use oil as a geopolitical weapon "through bargaining and maneuvering [and] has worked to achieve a higher price for oil through [OPEC]."[78] He has exerted great control over petroleum resources in Venezuela. Chávez considers earlier Venezuelan regimes that were friendly with the U.S. as "unpatriotic and unduly subservient to United States interests, and failed to secure oil wealth for the good of Venezuelan society."[79] In Venezuela, "oil [is] seen as a symbol of national independence and sovereignty."[80] It has also arguably been part of creating an entitlement mentality among Venezuelans. This idea is that the Venezuelan people should not have to endure economic austerity measures because their oil-rich county is not like others in Latin America. It is all a matter of ridding the country of those that would steal the oil profits, such as the governments preceding Chávez or foreign oil companies.

Chávez came to power at a time when government oil revenues from oil were falling dramatically, from 66 cents to 33 cents per dollar.[81] Although previous oil booms earned Venezuela record profits, more than a third of the population made less than minimum wage.[82] Chávez, whose family suffered from the unequal income distribution, has sought from the beginning of his presidency to bring oil companies under state control and promote economic prosperity for Venezuelans who had not benefited from the oil boon.[83] Narrowly escaping the April 2002 coup and assassination, Chávez became even more determined to strengthen his control over oil policy.[84]

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[78] Kozloff, *Hugo Chávez: Oil, Politics, and the Challenge to the U.S.*, 7.

[79] Ibid., 8.

[80] Ibid., 10.

[81] Ibid.

[82] Ibid., 18.

[83] Ibid., 20.

[84] Ibid., 30.

The Venezuelan government had the potential to benefit from the rise in world oil prices, which has sparked an economic boom. However, the spending on social programs has served Chávez and his populist agenda more than the poor. Since he was reelected, Chávez has announced new measures to move the country toward socialism and the current commodity boom has certainly buoyed Chávez, but his economic plan is unsustainable.[85] Venezuela has experienced massive political and economic changes since Hugo Chávez first appeared on the scene. With a new constitution and unicameral legislature, many international observers have rightfully faulted Chávez for the rapid deterioration of democratic institutions in Venezuela.

B. THE POPULIST CHALLENGE TO DEMOCRACY IN VENEZUELA

What impact has the populist challenge had on democracy in Venezuela as Chávez uses his charisma to employ mostly democratic means to consolidate power in the executive? As already discussed, populism and inequality pose the greatest threat to democratic stability. Inequality weakens the people's commitment to democracy and populism allows power hungry actors to move government toward authoritarianism through the power of their personality once commitment toward democracy has been weakened.

Philippe Schmitter and Terry Lynn Karl provide an excellent discussion of democracy in *What Democracy is…and is Not*. They write, "…political democracy is a system of governance in which rulers are held accountable…by citizens, acting indirectly through the competition and cooperation of their elected representatives."[86] The pattern by which actors find access to public offices and the rules that these actors subsequently follow to make "publicly binding decisions" must be clearly institutionalized.[87] According to the authors, the method of institutionalizing is generally best if it is a "written body of laws undergirded by a written constitution."[88]

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[85] Kaufman, "Political Economy and the 'New Left,'" 5.

[86] Schmitter, "What Democracy is…and is Not," 221.

[87] Ibid.

[88] Ibid.

Other characteristics of a modern democracy include competition and majority rule, both of which will be discussed in further detail when comparing democracy in Venezuela and Perú. The procedures that make democracy possible include, among others: the government is elected in frequent and fair elections without coercion, civil liberties are protected, the electorate includes most of the adult population, most adults have the right to run for public office, and citizens are free to express themselves and form associations (including, of course, political parties). In addition, one of the other characteristic offered by Schmitter and Karl include a popularly elected government that acts independently without the military or other non-elected officials encroaching on the domain of the elected leaders.[89] This definition of democracy and list of procedures are helpful in evaluating the completeness of democracies anywhere in Latin America, but especially Venezuela and Perú.

Chávez fits what Kenneth Roberts, in *Latin America's Populist Revival*, describes as a populist: "[He is] virtually synonymous with populism, endowing the concept with vivid images of charismatic rulers who energize the masses, challenge traditional elites, and assert national autonomy in the international arena."[90] His rise appears to be "rooted in the limitations of the 'dual transitions' toward political and economic liberalism—or democracy and free market."[91] As Matthew Cleary states, "Chávez is the only sitting president who is unambiguously 'populist,' in the sense that he actively undermines independent sources of institutional authority and draws his political power primarily from a charismatic and paternalistic connection with the masses."[92]

The conditions most conducive to the rise of Chávez include political exclusion. In Venezuela, as in the rest of Latin America, elites counted on a "responsive labor force without an effective threat of political participation by the working class."[93] By

[89] Schmitter, "What Democracy is…and Is Not," 224.

[90] Roberts, "Latin America's Populist Revival," 3.

[91] Ibid., 5.

[92] Cleary, "Explaining the Left's Resurgence," 36.

[93] Skidmore, *Modern Latin America*, 49.

successfully mobilizing the large working and poor class Chávez has used their political participation in mass to push out of power the elite class and ultimately putting himself in their place.

However, the case of Chávez and his Bolivarian Revolution in Venezuela counters the notion that the people play a role in transitioning toward democracy when they mobilize. John Peeler, in *Building Democracy in Latin America*, writes, "Social movements are collective action of people beyond the level of family but not part of any existing party or other political institution…"[94] In the example of Venezuela, the mobilization of mass constituencies has been from the top-down. While Hugo Chávez originally presented himself as a common citizen from a humble background who was frustrated with the social, economic, and political conditions in the country, he later used his executive position to exploit the masses for his purposes, mainly the consolidation of power.[95] Although the management and expansion of popular participation was key in the transition toward democracy in the earliest wave of democracy,[96] popular mobilization in Venezuela has helped Chávez move toward authoritarian rule.

Schmitter and Karl's definition of democracy includes competition. Javier Corrales and Michael Penfold, in *Venezuela: Crowding out the Opposition*, provide an insightful analysis of Chávez's domestic political competition. Through a "quasi-tyranny of the majority," Chávez has "emerged as an example of how leaders can exploit both state resources and the public's widespread desire for change to crowd out the opposition, and, by extension, democracy."[97] Chávez has engaged in a "heavy barrage of state spending aimed at rewarding loyalists and punishing dissidents."[98] He quickly rewrote the "rules of governing relations among the branches of government in order to make the

[94] Peeler, *Building Democracy in Latin America*, 79.

[95] Roberts, "Latin America's Populist Revival," 5.

[96] Peeler, *Building Democracy in Latin America*, 86.

[97] Corrales and Penfold, "Venezuela: Crowding Out the Opposition," 100.

[98] Ibid.

presidency stronger."[99] He astutely appealed to his constituents' antiparty frustration and convened a National Constituent Assembly for the purpose of shifting the balance of power in favor of the executive branch.[100]

There is a serious threat to democracy with such intense concentration of power in the executive branch. John Carey, in his analysis of "presidentialism" and representative institutions in Latin America, points out that the executive branch is potentially more dangerous than the legislative.[101] The executive, he argues convincingly, is prone to "capricious action or…abrupt policy reversals."[102] Furthermore, he submits the executive branch tends to be less inclusive or subject to negotiation and compromise, and less transparent than the legislature.[103]

One of the major changes to the electoral institution in Venezuela in the 1990s was the turnaround of the practice of prohibit immediate reelection.[104] While Carey identifies ways in which this generally strengthens democracy, it has not fared well for Venezuela. Reelection perhaps increase democratic responsiveness by encouraging first-term presidents to be more accountable to citizens' concerns, however, there is also the all too common problem of abuse of power by presidents determined to guarantee their reelection.[105] This allowed Chávez to overcome limitations that come from lame-duck status. It gave him significantly greater "authority…over other public officials by extending [his] prospective control [as] incumbents over patronage and prospects for advancement farther down the political career ladder."[106]

Also related to the strengthening of the executive branch in Venezuela is the change to the procedures for a presidential recall. The 1999 Venezuelan constitution

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[99] Corrales and Penfold, "Venezuela: Crowding Out the Opposition," 101.

[100] Ibid.

[101] Carey, Presidentialism and Representative Institutions, 13.

[102] Ibid.

[103] Ibid.

[104] Ibid., 18.

[105] Ibid., 19.

[106] Ibid., 20.

created a provision making the "threshold for removal [of a president] the number of votes cast… in the original popular vote."[107] This makes the recall of Chávez highly unlikely since he secured nearly 60 percent of the vote during a high-voter turnout election in 2000. Considering the high voter abstention rates in later elections, Chávez has reason to feel safe against a recall.

His popularity among the voters has been linked to social spending. Corrales and Penfold point out, "The deluge of money that [Chávez] poured out in 2004 (close to 4 percent GDP) enabled him to turn his low 2003 approval ratings of around 45 percent into a 59 percent victory in the August 2004 recall referendum."[108] However, Chávez appears as if he is becoming a slave to the masses he once used to rise to power. His December 2007 referendum for constitutional reforms was defeated and has been his worst setback since becoming president in 1998.[109] Although concerns of continued concentration of the executive branch are partly to blame, abstention of three million Venezuelan voters can be argued to be a consequence of Chávez inattention to the social and economic problems he was once so concerned with in his country. The Venezuelan population has been known to have a high sense of entitlement due to its vast oil wealth and Chávez has suffered at the polls due to his inability or unwillingness to funnel the revenue to social spending which the public has increasingly grown to expect from him.

Given the populist aversion to coordinated party opposition, a move toward greater democracy in Venezuela is unlikely in the near future.[110] Unfortunately, Chávez has created profound polarization and long-term political cleavages.[111] Not only has Chávez's efforts to marginalize his domestic political competition made stable democracy difficult to maintain in the country, Venezuela is headed toward authoritarian

[107] Carey, Presidentialism and Representative Institutions, 26.

[108] Corrales and Penfold, "Venezuela: Crowding Out the Opposition."

[109] "Venezuela: Political Reform or Regime Demise?" i.

[110] Kaufman, "Political Economy and the 'New Left,'" 5.

[111] Ibid.

rule with startling speed. According to Robert Kaufman, "the long-term prospects for Venezuela would be [a] mutually destructive confrontation between Chavistas and anti-Chavistas."[112]

Democracies are susceptible to populist actors that seek power. The very institution that allows them to come to power also enables them to consolidate power and move toward authoritarianism. It can be argued that social and economic inequality and the distribution of wealth are significant obstacles to democracy. Policies that improve access to education and other social services for the poor are essential to reducing inequality, however, "such policies may first require political reforms so that the voice of the poor carries equal weight to that of the rich."[113] Inequality breeds divisiveness and cleavages that undermine democratic stability. In countries where approximately half of the population lives in poverty, one would expect voters to favor candidates that promise redistribution. When the wealth and political power are concentrated, the elite class is likely to use authoritarian means to maintain a hold on both. Although Kaufman refutes this notion, he does, however, concede that there are negative effects on democratic stability. For example, in Venezuela, "the divisive policies of the Chávez government are likely to have effects on class conflict that endure far beyond the tenure of his government itself."[114] These conflicts are what potentially lead to a challenge to democratic rule as groups use extralegal means to maintain power if they have it, or violence if they do not.

C. CONCLUSION

In Latin America, the history of the exploitation of natural resources and of labor has had a lasting effect, particularly with regard to the distribution of wealth. In an attempt to develop, many Latin America countries looked inward to pursue industrialization. The consequence was a debt crisis that left states far short of their

[112] Kaufman, "Political Economy and the 'New Left,'" 6.

[113] Ibid., 61.

[114] Kaufman, "The Political Effects of Inequality in Latin America: Some Inconvenient Facts," 7.

economic goal. States that deregulated their economic systems experienced growth, but the gains were not as far reaching as touted and many of Latin America's poor were disillusioned.

Chávez has astutely mobilized the resentment of social and economic inequality experienced by many Latin Americans across the region. When he first came to power, conditions were optimal for the rise of 'leftist' populist movements and Chávez took advantage of it with some success within Venezuela and beyond. This chapter has explored the socio-economic context in Venezuela that led to the rise of Hugo Chávez. With Chávez firmly in power, he has looked to influence inter-American relations. Chávez's anti-U.S. campaign highlights weaknesses in United States foreign policy and the need to develop a new grand strategy for the region. Understanding the grievances that flow from the promotion of neoliberal policies and free trade, and the frustration due to social and economic inequality, the United States can better develop policies that address the primary concerns of the Latin Americans.

III. EVALUATING THE IMPACT OF CHÁVEZ IN THE REGION

This thesis argues that Chávez's political strategies are essentially opportunistic. Since his first appearance in Venezuela he has capitalized on the pervasive resentment of the poor and marginalized population, although he has made only limited progress towards addressing the root causes of this resentment. His influence has not been restricted to his own people. He has tapped into the resentment many Latin Americans feel regarding the economic conditions. When it comes to using that resentment for his political purposes, how has he fared internationally?

In late 2005, the world began taking notice of what appeared to be a move to the left as countries throughout Latin America were electing leftist governments. Some believed Chávez was at the heart of this shift as he sought to sway elections in the region. Was he another Castro, looking to export his revolution? Concerns heightened as socialist Evo Morales, of indigenous descent and former leader of the coca growers union, was elected as president in Bolivia in 2005. Socialist Michelle Bachelet won the presidency in Chile in 2006, and Luiz Inácio Lula da Silva, former trade union boss, won reelection as president of Brazil in 2006. Ecuador elected Rafael Correa, of the Christian left, and most stunning of all was the election of Sandinista leader Daniel Ortega as president in Nicaragua, both in 2006. Chávez can be considered influential, for better or worse, in two other elections: Ollanta Humala in Perú and Andrés Manuel López Obrador in Mexico were both leftists nearly successful at winning their electoral bids in 2006.[115]

Political figures that look to change the status quo in Latin America have appeared before. One example can be found in Cuba as Fidel Castro, with the support of Ernesto 'Che' Guevara, looked to instill revolution throughout Latin America. One striking difference between Chávez and the Cold War era revolutionaries of Latin America is that Chávez has access to financial means that Castro could have only dreamed of. Even without the financial means, Castro and Che were able to influence a generation of Marxist-Leninist movements throughout Latin America, seriously

[115] Reid, *Forgotten Continent: The Battle for Latin America's Soul*, 2.

challenging United States power and influence in the region. With the immense oil wealth of Venezuela at his fingertips, Chávez has the resources he needs to buy clout and push his agenda on the international stage and challenge United States influence.

What are the different ways in which Venezuelan Hugo Chávez conducts his foreign policy? Is Chávez successful in using Bolivarianism to garner allies in his attempt to challenge United States hegemony in the region? If so, under what conditions is Chávez successful in getting other countries to act counter to United States interests? Venezuela's use of its oil wealth to assert itself on the international scene is not altogether new. How is Chávez's foreign policy different from previous Venezuelan presidents? This chapter will explore these differences. It will also provide a country by country evaluation on the impact Chávez's foreign policy has had.

This chapter will begin with a brief discussion of Chávez's goal of countering United States hegemony and how he hopes to achieve this. Some scholars and policymakers argue that U.S.-Latin American relations are steadily declining as Chávez pulls other Latin American countries under his 'anti-imperialist' umbrella. Bolivian President Evo Morales, owing his political success to his ability to capitalize on the social and economic grievance of his large utterly poor population, recently established a constitutional assembly and is promoting a revolutionary socialist regime. Also seeking to find allies other than Washington, Morales even went beyond rhetoric, signing documents forming an alliance with a United States nemesis, Iran, backing its nuclear program.[116] Nicaraguan President Daniel Ortega, along with Morales, has also adopted foreign policy in line with Chávez's agenda supporting Iran.

These figures already have an ideological affinity with Chávez. Does Venezuela provide the financial resources that allow them autonomy in relation to the United States? What about other countries in the region? Does Chávez's Bolivarian foreign policy resonate with Brazil, Argentina, or other non-Andean countries or do they simply take Venezuelan oil subsides without changing their foreign policies? The argument of this chapter is that Chávez success in pushing his Bolivarian Foreign policy has mostly been

[116] Fleischman, *Latin American Leaders at the UN*, 1.

overstated and that the resurgence of leftist regimes has had more to do with a general sense of frustration over the distribution of wealth throughout Latin America and less about Chávez's diplomacy or ideological persuasion.

Chávez has been fortunate that Venezuelan oil revenues remained high enough to overcome his lack of economic prowess, which appears to be as keen as his diplomatic skills. Also, to be considered is his overwhelming success in inspiring the masses throughout Latin America as evidenced by the lively receptions he receives as he tours the continent. Swarms of anti-Bush protestors gather whenever Latin American leaders meet at summits or conferences. Chávez rarely passes up the opportunity to rouse the animosity of these crowds of demonstrators. This really only demonstrates that the grievance has been there for some time and has festered to the point that any spokesperson, even one with warts, that speaks to the plight of this large segment of Latin American society will be received with great enthusiasm.

A. CHÁVEZ'S QUEST: INTEGRATION OR POWER?

What alternative is Chávez offering? He hopes that through popular political participation he can influence elections throughout Latin America. Understanding the environment of grievance that has resulted for President Clinton's failed Free Trade Area of the Americas (FTAA) agenda, President George W. Bush's inattention toward Latin America, and the overwhelming frustration due to social and economic inequality, he stirs up resentment among the masses of poor in hopes they will elect progressive governments; those sympathetic to his Bolivarian philosophy of regional unity as a counterbalance to the United States.

Chávez was elected based on promises of social programs aimed primarily at improving life for the country's poor funded by oil revenues. He operates under the premise that oil prices will continue at current prices or increase and with the windfall of the oil revenue, he will spawn a non-oil economy. His social programs, or missions, aimed at education, healthcare, environmental protection, and indigenous rights, are

being financed by oil revenues.[117] These efforts not only boost his popularity in Venezuela, but it inspires other leftist parties and provides the rhetoric that mobilizes to the masses of poor voters.

Venezuela's willingness to confront the United States is not new and has long been an element of Venezuelan foreign policy. Just as Venezuela has sought to become independent of international oil companies and control its own production and sale of its petroleum, it has also attempted to influence the market in a way to secure prices favorable to Venezuela. Chávez intends to assume an autonomous leadership role for Venezuela and opposes globalization and neoliberal economic policies.[118] More specifically, what is different about Venezuela's foreign policy under Chávez is that he has used oil to find allies and build a union of Latin American states that will check United States power in the region. He has shown he is particularly interested in developing or strengthening ties with long time United States foes, such as Cuba.[119] To this end, Chávez has used oil as a tool to garner international clout and influence. Other countries in Latin America, perhaps too impoverished to overlook the oil deals, have jumped on Chávez's anti-American imperialism bandwagon. Some have even moved beyond rhetoric by signing agreements with Iran supporting nuclear development.

Chávez argues the U.S.-sponsored FTAA is designed to exploit the poor countries of the South. Certainly, this resonates with some other Latin American countries. Chávez aims for regional integration; a virtually self-reliant union of Latin American states that can break from dependence on the United States. This is mainly what ALBA is intended to accomplish. Chávez proposes plans for cooperation between Latin American countries in energy, communication, finance, military, education, and any other issue related to sovereignty. As it relates to trade between the Latin American countries, he promotes doing away with tariff barriers on most products, but ALBA's fundamental purpose goes

[117] Looney, "Chavistanomics," 5.

[118] Cardozo, *Venezuela: Petroleum, Democratization and International Affairs*, 150.

[119] Trinkunas, "What is Really New about Venezuela's Bolivarian Foreign Policy," 2.

beyond this. “The explicit aim of ALBA is to promote the ‘social’ side of development, eliminating poverty and combating social exclusion in a cooperative effort by Latin American nations.”[120]

Whether Chávez has been successful at swaying elections by playing to the anti-U.S. sentiment is uncertain, although Chávez manages to gather masses of sympathetic demonstrators wherever he speaks in Latin America.[121] What is certain is that Latin American has taken a turn toward leftist or progressive governments. Although Chávez has demonstrated a willingness to adjust the rules of the democratic political game through a new constitution, augmenting the Supreme Court with his loyalists, and a new legislative assembly stacked in his favor, among other things, he has been elected and reelected with increasing margins. Venezuela is not the only Latin American looking to the new-left for answers to their problems of social and economic inequality.

B. EVALUATION OF REGIONAL IMPACT

1. Cuba

Venezuela and Cuba have built a strong alliance that allows for the exchange of energy resources, financial transactions, development aid, and intelligence and military assistance. The resources traded are easy for the sender to provide, but of tremendous strategic importance to the recipient.[122] For example, with the profits Cuba gains from the resale of excess subsidized oil given by Venezuela, the Castro regime has been able to strengthen its hold on the Cuban economy by reversing economic liberalization measures and reduce its trading dependency on the European Union.[123]

Castro’s increasingly astute use of his countries human capital certainly benefits Venezuela as well. Chávez needs to make at least the appearance that he will hold to the promises of improving the conditions for the poor in Venezuela. The exchange of oil for

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[120] Harris, *ALBA: Venezuela’s Answer to ‘Free Trade.’* 6.

[121] McDonnell and Chen, “U.S. a Target at Summit in Argentina; Thousands of Protesters Want Bush Expelled. Venezuelan Leader Hugo Chávez Leads the Charge against a U.S. Free-Trade Plan for the Americas,” A.1.

[122] Corrales, “The Logic of Extremism: How Chávez Gains by Giving Cuba So Much,” 2.

[123] Erikson, “Castro’s Chávez Strategy,” 10.

doctors and teachers allowed Chávez to deliver on the Bolivarian Missions promise that made him popular among the poor, at least in a limited degree. Chávez's successful reelections, with increasing margins, can be attributed perhaps to his ability to demonstrate his concern for the poor. In a country where poverty abounds, this has proven a winning political strategy. With augmentation of Cuban medical personal, Chávez can create a presence in areas where political competition is low and thus increase voter turnout. Chávez can also reward those loyal to him by sending them to Cuba for superior medical treatment.[124]

Venezuela also gains militarily from its close relationship with Cuba. Venezuela has sought to supplement its small arms cache with 100,000 Russian-made rifles, which are a popular choice among guerillas. Chávez also has been intent on adapting military doctrine and the structure of the Venezuelan military to meet the "asymmetrical threat" posed by the U.S. With decades of experience with Russian military equipment and guerilla warfare, Cuba has much to offer Venezuela.[125] At the very least, the military partnership between the two countries sends a threatening message that the option to engage in guerilla style warfare is still available.

In terms of economics, Chávez has found in Cuba a place to carry out financial transactions without domestic and international scrutiny. For this reason, it makes sense to place PDVSA's Caribbean headquarters in Havana, along with PetroCaribe and Industrial Bank. Chávez can now sidestep international laws and oversight mechanisms while avoiding media coverage as he conducts oil related transactions.

While Chávez's relationship has had some success in strengthening his hold on power in Venezuela, it has not produced the same swelling of revolutionary fervor internationally that the Cuban Revolution did.[126] Further complicating matters is the position of dependency Cuba is in once again. PetroCaribe, the energy trading initiative, has allowed Cuba to receive Venezuelan oil at artificially low prices and resell it to other

[124] Corrales, "The Logic of Extremism: How Chávez Gains by Giving Cuba So Much," 3.

[125] Ibid.

[126] Trinkunas, "What is Really New about Venezuela's Bolivarian Foreign Policy," 6.

countries for significant profits. When oil prices drop or when the subsidized oil deals end, Cuba will face the similar economic crisis as when the Soviet subsidies ended.[127]

Why does Chávez maintain such an overt and high profile relationship with Castro? Scholars point to several reasons Chávez publicizes his relationship with Castro. First, Chávez turns to radical politics to distract observer, the international left, from an otherwise weak performance in his social and human capital development initiatives, and his disrespect for democratic institutions and checks on militarism. At least on one area he can impress the left, and that is his defiance of imperialism.[128]

Cuba's isolation from the world due to decades of the United States led embargo and the collapse of the Soviet Union and subsequent loss of financial support, was an easily made ally for Chávez. Fidel Castro's charisma, although fading in his old age and after years of proof that his socialist plans are an utter failure, still has sway in Latin America. Part of Castro's mystique comes from his success in overthrowing the United States backed dictator General Fulgencio Batista. Castro challenged United States hegemony not only in Cuba but also throughout Latin America in a way that no other figure had done. In this respect, Castro seems the obvious partner for Chávez in his contemporary challenge to United States preponderance.

Perhaps another reason Chávez publicizes his relationship with Castro is to increase his bargaining power with moderate governments in Latin America. In his effort to derail U.S. attempts to establish alliances in the region, Chávez uses oil as an inducement to his neighbors. Although Latin American countries have been willing to accept these giveaways, they have been less interested in joining in anti-U.S. alliances proposed by Chávez. Chávez uses his relationship with Castro to threaten instability. The mere perception that Castro may have ties with and the ability to fund radical groups offers Chávez the ability to threaten those subtly that refuse to align with him.[129]

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[127] Dent, *Hot Spot: Latin America*, 133.

[128] Corrales, "The Logic of Extremism: Why Chávez Gains by Giving Cuba So Much," 5.

[129] Ibid., 6.

2. Nicaragua

At the start of 2009, Nicaragua's is an interesting case study that highlights the complexities of maintaining a relationship with Chávez. With the moral support of Chávez, President Daniel Ortega, a long-time foe of the U.S., has taken great strides to wipe out democracy in his country. In the months leading up to municipal elections in Nicaragua, The Sandinista National Liberation Front, or FSLN, leader and former Marxist revolutionary maneuvered to disqualify several candidates from opposition parties, as well as order raids on the offices of journalists investigating the election and other groups critical of the FSLN. Ortega has also denied accreditation to election monitors, claiming they are backed by foreign conspirators bent on destabilizing Nicaragua. Perhaps his 20 percent approval rating has persuaded him to pursue such tactics, which are now commonplace in Venezuela, where Chávez has made similar efforts to disqualify leading opposition candidates in local and provincial elections.[130]

Ortega's underhanded election practices have earned significant criticism from the international community. The U.S. recently responded by vowing to withhold $65 million in aid associated with the Millennium Challenge Account. The EU has also threatened to suspend the flow of aid until electoral disputes after last November's contest are resolved. Meanwhile Ortega appears capable of shrugging it all off, which is surprising considering foreign aid comprises approximately 10 percent of Nicaragua's national budget in years past, and this year is projected to be up to 25 percent. He recently went as far as to demand the U.S. pay reparations amounting to $45 billion for its involvement in the Contras war of the 1980s.[131]

Ortega's alliance with Chávez, however, gives him some options otherwise not available. If Ortega appears to be unfazed by the potential loss of foreign aid, it is most likely due to a pledge by Chávez to during the 2008 ALBA summit to cover the shortfall. Chávez has allegedly promised to provide Nicaragua with $500 million in foreign aid if

130 "The Americas: How to Steal an Election; Nicaragua."

131 "Nicaragua: Election Aftermath Remains Tense."

other commitments fall through.[132] Similar to the oil deals made with Castro, Chávez has supplied oil to Ortega and the FSLN. In early 2007, Chávez participated in a groundbreaking ceremony to a new $3.9 billion Venezuelan-backed refinery. Chávez also pledged to provide Nicaragua with 10 million barrels of oil at market value along with financing for multiple new oil-burning power plants.[133]

Unfortunately for Nicaragua, these new deals with Venezuela has only compounded an oil dependency problem caused by successive governments to adequately plan for power production over the last 40 years. Nicaragua committed to purchasing Venezuelan oil when the price per barrel was at $74. The high oil prices of late 2008, which peaked at about $130 per barrel, increased what Nicaragua owed for Venezuela for its oil dramatically.[134] No progress has been made in building the one time celebrated oil refinery in Nicaragua. As one Nicaraguan lawmaker went on record to state, "Countries like Nicaragua will no longer receive the largess that [Chávez] promised, including oil the oil refinery."[135] With oil prices back to normal prices and significantly reduced oil production in Venezuela, Chávez is now likely to turn inward to deal with domestic pressures.[136]

Chávez's ability to undermine U.S. interests related to Nicaragua can be easily overstated. With the reduction of Venezuelan largess and Chávez influence waning under the pressure of low oil revenue, Nicaragua's dependence on foreign aid will once again pressure Ortega to abide by democratic standards. Nicaragua may need to appease its usual U.S. and EU donors, most of which have shown concern over the Central American country's slide toward authoritarianism. Furthermore, evidence that Ortega is not entirely committed to his ideological partner from Venezuela can be seen with Nicaragua's continued interest in maintaining its tie with the U.S. through the Dominican Republic—

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[132] "Nicaragua: Election Aftermath Remains Tense."

[133] Rogers, "Chávez Oil Fails to Stem Nicaragua Crisis."

[134] Ibid.

[135] Llana, "Falling Oil Prices Dent Hugo Chávez's Clout."

[136] Ibid.

Central American Free Trade Agreement (DR—CAFTA).[137] Chávez's failure to make refining capability in Nicaragua a reality is not a surprise to most observers. The highly publicized groundbreaking event may have been a mere stunt to signal to the U.S. that Venezuela was on the way to breaking oil interdependence between the two countries.

3. Ecuador

The UNASUR (*Unión de Naciones Suramericanas* or Union of South American Nations) summit of 2008 was emblematic of the serious roadblocks Chávez faces in creating unity in the region. Although progress was made toward creating the union, it also underscored the roadblocks toward such an endeavor. Ecuadorean President Rafael Correa told reporters that since the bombing of a FARC camp on Ecuadorean soil, "relations with Colombia are at a low point."[138]

However, Ecuador's problems are more than just an assault on its sovereignty. President Rafael Correa has followed the Chávez model of Bolivarian Revolution: "Win an election, call a Constituent Assembly, get a new constitution approved by referendum and use it to place your supporters in all the organs of state."[139] Since Chávez's defeat in December's constitutional referendum, Correa has had to replace the catchwords and phrases of Bolivarian Socialism with that of a 'citizen' revolution.[140] Still, President Correa remains popular in Ecuador due in part to his emphasis on social programs.

Ecuador is an example of a country that has been heavily influenced by Chávez, but this is primarily due to frustration over poverty (approximately 40% of the population lives in poverty and another 13% live in extreme poverty[141]) and political instability. Suffering from high inflation and low growth, not to mention a series of presidents that have failed to serve out their terms in office,[142] Ecuador had little to lose by the new-left

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137 "Nicaragua Politics: Outlook - Policymaking to Remain Complex."

138 Sotomayor, *South America: Regional Integration Back on the Agenda,* 1.

139 "The Americas: Going Nowhere; Ecuador's Constitution," 70.

140 Ibid., 2.

141 "United Nations Economic Commission for Latin America and the Caribbean."

142 "The Americas: Going Nowhere; Ecuador's Constitution," 70.

approach. Furthermore, the inauguration of left-leaning President Correa, whose populist political style appears similar to that of Chávez, only demonstrates that such campaigning is most effective among the poorest of voters. A closer look at the political context in Ecuador shows that it is in fact the economic problems in the country that have prompted voters to back populist candidates such as President Correa. Voters simply blamed incumbents for these problems and look for a change.[143] In this light, it is easier to avoid giving too much credit for Ecuador's slide to the left to Chávez.

United States relations with Ecuador have suffered since President Correa took office. He has declared he will not renew the United States lease on the air base at Manta. Although the United States has expressed concern over President Correa's relationship with Chávez, the bigger United States interest at stake is counter drug operations. Considering Ecuador's position between Perú and Colombia, major drug producing countries, President Correa's less than supportive attitude regarding counter drug efforts threaten U.S.-relations to a greater extent than his affinity toward Chávez. Nonetheless, analysts urge Washington to pursue "pragmatic, low-profile means to maintain open-market and democratic policies, such as maintaining United States trade preferences with Ecuador."[144]

4. Argentina

In the case of Argentina, Venezuela, under Chávez, has used its oil wealth to garner support for its integration initiative by buying up international debt. Shortly after Argentina's economic crisis, President Nestor Kirchner, found reason to align with Chávez. Between 2005 and 2006, Venezuela bought about $3.1 billion of Argentine bonds. This helped the first Kirchner administration by allowing him to borrow from a source other than the private international lenders he had been accustomed to slamming. Chávez motivation may not be as altruistic as he would paint it, either. The deal resulted

[143] Seelke, "Ecuador: Political and Economic Situation and U.S. Relations," 2.

[144] Ibid.

in releasing inflationary pressure in Venezuela, along with a $309 million profit due to financial maneuvering at the expense of the central bank, and a handsome payoff to local Chávez-friendly banks that facilitated the transactions.[145]

How effective has Chávez been at developing relations with Argentina? What little impact the purchasing of Argentina's debt had may have been partially offset by the nationalization of Argentine steel company Sidor in Venezuela. The fact that Chávez declined to speak with Argentine President Cristina Fernandez de Kirchner regarding this suggests the tie between the two countries is weakening.[146] Undoubtedly, this will discourage further private investments in Venezuela from Argentina. In addition, President Fernandez has struggled in the foreign policy arena due to domestic pressures and may have a less fluid relationship with Hugo Chávez than her predecessor.

Chávez has managed to weaken U.S.-Argentine relations nonetheless. This is evident in Secretary of State Condoleezza Rice's visit to Latin America in mid May, which did not include a stop in Buenos Aires. "The omission underscores Washington's disappointment with the new Kirchner government, which has continued to strengthen ties with Mr. Chávez while accusing the United States of political motives in an investigation into a suspected $800,000 secret campaign contribution from Venezuela to Mrs. Kirchner."[147]

5. Perú

Venezuela's relations with Perú may provide insight into how Chávez has fared in building Latin American unity. It is the poverty stricken rural population of Perú that is most sympathetic to Chávez and his Bolivarian Revolution ideas. The lack of doctors and teachers outside of Lima has long been a problem for Perú and Chávez's talk of improving in these areas resonates among the peasants and indigenous people of Perú. Also condemning United States imperialism are college students, a regular source of leftist sentiment in the country. President Alan García could have easily joined Chávez in

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[145] "Finance And Economics: The Chávez play; Venezuela and Argentina."

[146] *Venezuela: Socialist Schisms Spell Trouble for Chávez,* 1.

[147] Barrionuevo, "Rice Trip to Skip Argentina in Sign of a Growing Rift," A.10.

his mission to counter United States influence during his first, more leftist term as president from 1985 to 1990. However, President García is now more interested in free trade, which lines him up well with Washington. President García detests Chávez today, and this may be due in part to Chávez's endorsement of rival candidate Ollanta Humala.

President Garcia's ability to tie the Chávez weight around Humala's neck during the campaign could be indicative of what may happen to other Chávez allies currently holding office throughout Latin America. As the tide of public opinion sways and Chavistas become disillusioned with the socialist movement, it is probable that Chávez allies will have trouble securing re-election or retaining power. Fear of policies and efforts that have consolidated power for Chávez will be an obstacle during any potential reelection bids for these pro-Chávez politicians.[148] The anti-Chávez sentiments endure among Peruvian politicians, as indicated by the Peruvian Congress' investigation of the Casas del Alba, a Bolivarian NGO in Peru.

Chávez's influence in the rural areas is also important to note. The same conditions of marginalization and political exclusion that make Chávez's rhetoric appealing in the highlands of Perú would have rendered these groups nearly inconsequential in the political scene a decade or so ago. However, today indigenous groups, leftist guerrillas, and anti-government groups make their grievances felt on Lima. Protests have closed roads and interfered with tourism, a mainstay for Perú, and led to clashes. García's government accuses Venezuela of supporting the protests. President García's lack of public approval and Chávez-style anti-U.S. rhetoric magnifies the problem.[149]

6. Brazil

Venezuela's efforts to counter United States hegemony also challenges Brazil's bid for regional superpower status. As a result, Brazil's far more moderate President Luiz Inacio Lula da Silva has had to make somewhat of a shift in Brazilian foreign policy. Initially bold about his intention to strengthen Brazil's leadership role in Latin America,

[148] Dent, *Hot Spot: Latin America*, 120.

[149] Ibid., 1.

challenges by Chávez, among others, to his foreign policies have required President Lula to make some adjustments toward a more patient and quiet leadership role internationally.[150] For example, Venezuela was brought into Mercosur only to have Chávez push for it to be dissolved.[151] President Lula's plans for CASA (Community of South American Nations) fell apart as result of Chávez's alternate integration efforts. And, with the trend started or reinforced by Venezuela, Bolivia nationalized Brazil's gas investments in the country.[152]

Chávez has served as a thorn in President Lula's side as it related to Brazil's foreign policy agenda by "calling for Mercosur to be 'buried', pressing for creation of the 'Banco del Sur' development bank and resisting the sort of market-friendly policies that have underpinned Brazil's continued economic penetration of the continent." In addition to challenging Brazil's leadership role in Latin America, Chávez has "covertly sought to undermine critical aspects of the Brazilian national interest." Although Chávez calls for Latin American integration, he is "seen in Brasilia as a figure needing to be contained."[153]

With regard to President Lula's own South American integration plans, he has minimized the disputes between Colombia, Ecuador, and Venezuela, calling the Colombian attack on a FARC camp in Ecuador "dramatic in appearance, [but] just a passing phenomenon" and continued by calling it a "sign of life."[154] In fact, President Lula's comments on the subject of integration appear to be more grandiose than Chávez, referring to his dream as "the creation of the great South American nation."[155] These words resemble something coming from Chávez's playbook, or even Simón Bolívar himself.

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[150] "Brazil: Ideology Takes Back Seat in Foreign Policy," 1.

[151] *Mercosur/Venezuela: Regional (Dis)Integration Risks,* 1.

[152] "Brazil: Ideology Takes Back Seat in Foreign Policy," 1.

[153] Ibid.

[154] Sotomayor, *South America: Regional Integration Back on the Agenda,* 1.

[155] Ibid.

Brazilian officials say then President Fernando Henrique Cardoso originally presented the plan for a South American union in 2000. Now President Lula finds himself fighting to regain the initiative. The same official told the press following the May 2008 UNASUR meeting, "If Brazil does not do it at this time, Chávez will do it, his own way."[156] The rivalry between Brazil and Venezuela initially slowed Chávez's plans for creating the Bank of the South, or *Banco del Sur*. Brazilian officials were determined to tie the bank to UNASUR, stating the two countries were not in agreement with regards to size and mission of the bank. However, observers point to the divergence as a clear sign of competition for influence in the region. Lula, a socialist who prefers market-friendly economic policies, is at odds with Chávez, who favors a strong role for the Venezuelan government in directing the economy at home and regionally.[157]

C. CONCLUSION

Chávez has been successful in undermining United States efforts to promote increased free trade in the region by highlighting the failures of neoliberal economic policies. However, Chávez's overall push for regional integration that excludes the United States has failed. Even though some Andean countries suffering from poverty and social inequality have thrown up leaders sympathetic to some of the foreign policy initiatives and goals Chávez has pushed, for the most part, other Latin American nations have not seen the wisdom of challenging the United States. Venezuela is unique in that it has tremendous oil wealth that can compensate for the lack of a political prowess by buying the appearance of social progress in the areas that please President Chávez's domestic constituents. This, along with his manipulation of the constitution and electoral system, it appears President Chávez will be around for some time. However, no other country has the same mix of oil resource and political will to challenge the United States

[156] Sotomayor, *South America: Lula, Chávez Disagree on Regional Integration,* 1.

[157] Romero, "Brazil's Objections Slow Chávez's Plan for Regional Bank."

in the region such as Venezuela. Furthermore, the lack of a "coherent ideological model that can be replicated in other countries" makes it difficult for Chávez to gain the momentum he needs.[158]

There are significant obstacles Chávez must overcome for his agenda to be successful. Chávez's plan has only worked with the poorer and weaker countries. There is a group of progressive governments in Latin America (Chile, Brazil, and Perú) that reject Chávez's style and much of his agenda and take a more principled stand in favor of democracy. There are also the governments that are U.S. allies, such as Colombia (and to a large extent Mexico). The conservative, pro-U.S. government of President Álvaro Uribe has experienced a decline in relations with Venezuela. One source of contention between the two nations is the border conflict, with several cross-border incursions, some resulting in casualties. President Uribe made attempts to minimize this issue, but anti-Venezuelan sentiment by Colombians continues. The problems associated with Colombia's inability to govern its entire territory are magnified by Venezuela's tolerance and at times support of insurgents using Venezuela as a safe haven.[159]

Furthermore, while leaders of Latin America met in May 2008 to formally set up UNASUR (*Unión de Naciones Suramericanas* or Union of South American Nations), members also discussed establishing a South American Defense Council. Colombia wanted no part in it due to Venezuela's relationship with the FARC (*Fuerzas Armadas Revolucionarias de Colombia* or Revolutionary Armed Forces of Colombia). The spillover of Colombian violence into Venezuela has been a source of tension between the two countries, but the tension has been increased due to Chávez's criticism of Plan Colombia, which is designed in part to combat the insurgency.

Chávez has been willing to undermine the governments of countries that are allies with the United States. Besides his apparent sympathy with the FARC, Chávez is critical of Colombia in large part because of its alliance with the United States.[160] Colombia has

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[158] Romero, "Brazil's Objections Slow Chávez's Plan for Regional Bank," 6.

[159] Dent, *Hot Spot: Latin America*, 106.

[160] "Speak Fraternally but Carry a Big Stick," 41.

succeeded in dealing with violent insurgents in the country. In fact, since Chávez came to power the FARC has actually lost ground and been considerably weakened.[161] Although this is due in part to weaknesses in the FARC and the death of its leader Manuel Marulanda Vélez, also known as *Tirofijo* (sure shot), the group's last link to the original ideology that gave formal birth to the group in 1964, Colombian ties to the United States and aid tied to Plan Colombia must be credited at least in part. Still, regardless of how insignificant, the support Chávez gives the violent insurgents of Colombia is a slap in the face of the Colombian government and will be an enormous obstacle to any attempts to create the integration for which Chávez was hoping. At a Latin America summit held in May 2008, President Uribe responded to Chávez's criticism, "The only thing we ask is for no one to shelter terrorists."[162]

[161] Trinkunas, "What is Really New about Venezuela's Bolivarian Foreign Policy," 6.

[162] Romero, "With Chávez In Check, Talks in Perú Stay Calm," A.5.

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IV. POLICY TOWARD VENEZUELA (TODAY AND AFTER CHÁVEZ)

A. RELATIONS BETWEEN THE U.S. AND VENEZUELA

At the beginning of the post-Cold War period, U.S.-Venezuelan relations were cordial and U.S. policymakers did not foresee any substantial change, as they perceived Venezuela to be politically stable. Considering the fact the Venezuela was a major supplier of oil to the U.S., there certainly was sufficient incentive to keep relations positive.[163] Even when Chávez assumed power, Washington avoided open confrontation with him initially, "choosing instead to emphasize the disparity between the Venezuelan leader's radical rhetoric and his actual policies."[164] This was based on the economic interdependency between the two countries.

When it became evident Chávez was disregarding democratic institutions in an effort to consolidate power, relations deteriorated drastically as Chávez began his verbal attacks on the U.S. and President Bush. To make matters worse, and perhaps the greatest diplomatic mistake the U.S. made with regard to dealing with Chávez, was that the White House responded to the April 2002 coup in Venezuela by stating the administration "looked forward to working with the transitional government." Not only did this give the obvious appearance that the U.S. condoned the break with democratic rule in Venezuela, but it also raised questions about whether the U.S. may have somehow supported the coup. Although subsequent investigations found that the U.S. had no part in the coup attempt, Chávez astutely used the incident to stir up anti-U.S. sentiment and question U.S. democracy promotion.[165]

This certainly fits into Chávez's populist style. He is a realist and a populist who seeks to accumulate power at home and abroad. He is willing to say whatever will garner the greatest number of votes and he will manipulate democratic institutions to not only

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[163] Crandall, *The United States and Latin America After the Cold War*, 120.

[164] Lapper, *Living with Hugo: U.S. Policy toward Hugo Chávez's Venezuela*, 21.

[165] Ibid., 22.

suppress his opposition, but to remove checks on executive power. Furthermore, his foreign policy is designed to impress his anti-U.S. constituency in Venezuela and create alliances that threaten stability in the region.

U.S. and Venezuelan interests have been at odds despite the changes in U.S. administrations. They will continue to be so in a unipolar world. This can be seen by the interview with then President-elect Barack Obama aired on the Spanish-language network Univision in mid January 2009. Referring to documents seized from the guerrilla group linking Chávez to the FARC and efforts to undermine Columbian President Alvaro Uribe, Obama said, "we need to be firm when we see this news, that Venezuela is exporting terrorist activities or supporting malicious entities like the FARC." Obama went on to say Chávez had "been a force that has interrupted progress in the region." Chávez responded several days later suggesting there was still time for Obama to correct his views and added, "no one should say that I threw the first stone… He threw it at me." Chávez also suggested that since the U.S. considered him "an obstacle for progress in Latin America," then the U.S. would ensure he was removed. The diatribe continued with Chávez accusing Washington of wanting to topple him so as to "steal the country's immense oil reserve."[166] Although Obama's presidency has just begun, relations with Venezuela do not appear to be improving immediately.

B. THE FUTURE OF VENEZUELA (WHAT DOES POST-FUJIMORI PERÚ TEACH US?)

Venezuela and Perú have some political commonalities. According to Martín Tanaka, in his article *From Crisis to Collapse of the Party System and Dilemmas of Democratic Representation,* both have had presidents who have used a formal democratic political system to create, in practice, authoritarian regimes.[167] President Alberto Fujimori was a "personalistic leader with neo-populist and anti-system discourses who

[166] Chávez cited in Forero, "Obama and Chávez Start Sparring Early," 1.

[167] Tanaka, "From Crisis to Collapse of the Party System and Dilemmas of Democratic Representation," 47.

expressed the popular dissatisfaction with traditional actors."[168] Perú experienced a crisis because of failed state-centric economic policies and subsequent market reforms in the 1980s and 1990s. This was an added challenge to "an always shaky democratic experiment"[169] that in 1980 emerged from twelve years of military rule. All this coincided with the growth of the extremely violent and effective Sendero Luminoso.

Tanaka writes that Fujimori's candidacy "reflects a crisis of representation, and… exploited popular dissatisfaction with traditional politics," and that he "represented some previously excluded popular sector, under plebiscitary, not democratic, schemes."[170] Once in office, he "undermined political competition" and "eliminated the logic of checks and balances inherent to democratic rule and [paved] the road to authoritarianism."[171] President Fujimori was able to consolidate power through outwardly democratic means, or by what Tanaka calls "plebiscitarian legitimacy."[172] Although he was speaking of Venezuela, Brazilian President Lula's comment that there can be trouble with a country that has too much democracy can easily be applied to Perú during President Fujimori's administration.

An interesting point can be made here. Cynthia McClintock in her article, *An Unlikely Comeback in Perú*, argued that considering the concentration of power former President Fujimori was able to achieve, "the holding of free and fair elections" represented "a step forward for Perú in its uneasy return to democracy since November 2000."[173] When Fujimori's corrupt government fell apart, democratic processes prevailed in bringing about a peaceful political change. The 2006 election provides further evidence of a strengthening of democracy in Perú. Even though the election was close,

[168] Tanaka, "From Crisis to Collapse of the Party System and Dilemmas of Democratic Representation," 47.

[169] Ibid., 48.

[170] Ibid., 63.

[171] Ibid.

[172] Ibid., 64.

[173] Ibid., 95.

the losing candidate accepted the results. Furthermore, there was a large voter turnout and "and citizens chose a candidate who respects democracy, rather than one whose proclivities appear authoritarian."[174]

Looking back to the administration of President Toledo provides further evidence that democracy strengthened after President Fujimori's authoritarian regime. President Toledo convened the Commission for Truth and Reconciliation, which provided a report on human rights violations from the previous government. The media that was once controlled and exploited by the Fujimori regime was now free to report without government restrictions. Free and fair competitive elections at the regional level were held in 2002.[175] All of this looked promising to those interested in consolidating democracy. President Toledo, however, still faced significant challenges. During his administration, the country experienced significant economic growth, especially compared to other countries in the region, including Chile and Costa Rica. There was approximately 5 percent annual GDP growth from 2002 to 2006, inflation was low, and fiscal management was strong. However, economic inequality and poor distribution of wealth challenged the people's commitment to democracy. As McClintock writes, "the benefits of growth were limited primarily to the top third of the income distribution and barely reached the poor, who make up 48 percent of the population."[176] She continues, "Unemployment remained stubbornly high [and] real wages were stagnant."[177] The poor in Perú sought justice and held President Toledo accountable for their economic plight.

Latin America is more economically unequal than other regions. In Perú, as in the rest of Latin America, inequality impedes democracy. According to *The Economist*, "income inequality goes hand in hand with unequal access to good things such as education, health and political power—inequalities that violate basic principles of

[174] Tanaka, "From Crisis to Collapse of the Party System and Dilemmas of Democratic Representation," 96.

[175] Ibid.

[176] Ibid., 97.

[177] Ibid.

democracy."[178] The article continues by arguing that democracy has not served to reduce inequality significantly. This is attributed to the fact that taxes and government spending is "significantly below what is needed to support rapid social and economic development" and although social spending has increased, "much of this still favors the better off: examples include pensions, universities and health schemes linked to social-security systems."[179] Despite the damage President Fujimori's regime inflicted on democracy in Perú, it appears to have recovered, as evidenced by the Toledo administration and the 2006 election. The transition to democracy from an authoritarian regime in Perú may be useful when considering the potential for the return of democracy following Chávez. At least, there is some hope for a positive transition.

C. POLICY IMPLICATIONS & RECOMMENDATIONS

The days in which the U.S. was considered to have "acted in an imperious, unilateral, and paternalistic manner in Latin America" in an effort to combat communism are over.[180] The end of the Cold War, and as well as immigration and globalization, have changed the way in which the U.S. acts towards Latin America. The fact that there is concern over China's influence in the region is one indicator that the U.S. must find a new grand strategy for the region. More specific to Venezuela, Chávez's attempts at courting Iran and Moscow also signify a dramatic change in geo-politics in the 21st century. Chávez turns to rival the U.S. because Latin America leaders have that option now more than ever before.

Chávez's response to the recent global economic crisis has provided further evidence his ultimate goal has been to maintain power. One indicator may be his recent decision to solicit bids from Western oil companies after intense efforts to nationalize oil fields in Venezuela and impose hefty taxes and royalties on foreign oil. The drop in oil prices has stunted progress toward the 21st century socialist state envisioned by Chávez. The lack of reinvestment into the Venezuelan oil industry has resulted in reduced oil

[178] "The Americas: A Stubborn Curse; Inequality in Latin America," 60.

[179] Ibid., 61.

[180] Crandall, *The United States and Latin America after the Cold War*, xi.

production, further compounding the problem. In addition, a strain on the Venezuelan oil industry is the expansion of Petróleos de Venezuela's role in his political effort, using the company's resources for infrastructure development, distribution of food, and agriculture projects. Mending ties with Western companies has become a matter of necessity for Chávez as he tries to buoy his extensive social programs. As one oil-industry expert in Brazil recently stated, "If re-engaging with foreign oil companies is necessary to his political survival, then Chávez will do it."[181]

Like most petro states, Venezuela has become over reliant on oil. In 2008, the country relied on oil for 93 percent of its revenue. When Chávez took office ten years earlier, it was only at 69 percent.[182] With the nationalizing of other industries, such as agriculture, and steel manufacturing, and utility companies, foreign investors are keeping their distance from Chávez. As the world economic crisis continues Chávez may be rejoicing in what he claims is the breakdown of capitalism. Ironically, like most oil-driven economies, previous economic booms fueled the growth of his program.[183] He squandered vast amounts of capital neutralizing his domestic political opposition while building international alliances through oil deals.[184]

His anti-U.S. rhetoric may appear to be ideologically based. However, some scholars suggest that is merely the use of political capital to compensate for Venezuela's financial woes.[185] As oil prices plummet, Chávez's is losing the leverage he was once fortunate to have during the oil boom of the early part of his tenure. With demand for energy outpacing the increase in production, particularly considering the growth of Asian markets, Chávez is expecting to wait out what he thinks is a temporary dip in prices.[186] This would explain his recent efforts to court foreign investors for development of

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[181] Romero, "Chávez Lets West Make Oil Bids as Prices Plunge," 1.

[182] Ibid.

[183] Ibid.

[184] Ottaway, *Democracy Challenged; The Rise of Semi-Authoritarianism*, 76.

[185] Ibid.

[186] "Of Froth and Fundamentals," *Economist*, http://www.economist.com/specialreports/displaystory.cfm?story_id=12373732.

extraction projects. This would take more time as executive than he currently has available. Chávez has a long-term vision for his presidency that take him beyond the current economic bust.

Chávez may be overly optimistic about his ability to ride out the economic slump. The realm of energy production is changing dramatically, and in ways Chávez cannot compete. Many governments are taking strides toward alternative forms of energy. Reuters reports "investments in alternative energy technologies have quadrupled in the United States in the last two years."[187] With significant progress in these technologies, particularly with wing and solar power, not to mention the drop in prices of energy from these sources, it is has obviously been a source of contention for Chávez. As part of his anti-U.S. campaign, he has gone as far as accusing the U.S. of concocting the global warming scare.[188] Regardless, the U.S. must continue on the path of energy independence.

The U.S. must solidify its strategy to best deal with the Chávez challenge. In the short term, U.S. policy makers must continue to focus on Chávez's action rather than his words. It is important U.S. policymakers understand his populist style, and that he uses his anti-U.S. rhetoric to build support from his anti-establishment constituencies. The actual threat Chávez poses to the U.S. is minimal considering Venezuela's high dependence on U.S. markets. The U.S. should take a pragmatic approach to dealing with Venezuela by emphasizing the potential for progress in regional concerns such as energy security, poverty, and economic growth. While it is doubtful Chávez will be receptive to discussion, it will signal to the rest of the region that the U.S. is willing to work toward solutions. As a long term strategy, the U.S. must strengthen its commitment to assisting Latin American countries in alleviating poverty and strengthening democracy.[189] Much

[187] "Factbox: Venture Capital Investments in Clean Technology," http://www.reuters.com/article/GCA-BusinessofGreen/idUSTRE49N3UT20081024

[188] "Politics Aside, Latin America Biofuels Loom Large," http://www.reuters.com/article/GCA-Agflation/idUSN2143944720080721,

[189] Lapper, *Living with Hugo: U.S. Policy toward Hugo Chávez's Venezuela*, 39.

of Chávez base consist of the poor and marginalized. While poverty in the region will continue to be a problem for some time, efforts by the U.S. to assist in economic growth will reduce resentment among the poor and hostility toward the U.S.

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